UGC-NET

CHAPTERWISE QUESTION BANK

MANAGEMENT

- Full Explanation for Every Question
- Strictly Based on Latest Syllabus
- Matches the Real Exam Pattern Exactly
- Predicted Questions for Upcoming Exam

NODIA

Scan QR for Demo PDF

Nodia

GET ALL STUDY MATERIAL IN ONE APP!

- Textbooks
- Previous Year Chapterwise Question Banks
- 30 Sets Sample Papers
- Worksheets

FREE!

DOWNLOAD NOW!

SCAN & DOWNLOAD

GET IT ON Google Play

UGC NET 2026

MANAGEMENT

CHAPTER-WISE MCQ QUESTION BANK

INCLUDING SOURCE-BASED QUESTIONS

NODIA

Downloaded from www.pdf.tube

UGC NET MANAGEMENT
Edition February 2026
Published by :NODIA
An Imprint of NODIA EDITIONS LLP

Information contained in this book has been obtained by author, from sources believes to be reliable. However, neither NODIA nor its author guarantee the accuracy or completeness of any information herein and NODIA nor its author shall be responsible for any error, omissions, or damages arising out of use of this information. This book is published with the understanding that NODIA and its author are supplying information but are not attempting to render engineering or other professional services.

© NODIA EDITIONS LLP

NODIA

MRP ₹780.00

available at amazon

This book is available on amazon and flipkart only and not available in market.

NODIA EDITIONS LLP
125, Sector 6, Vidyadhar Nagar, Jaipur 302039
Phone :+91 9024037387
email : mail@nodia.in

CONTENTS

Chap 01.	Management Concepts and Managerial Economics	11-84
Chap 02.	Organisational Behaviour and Human Resource Management	85-161
Chap 03.	Strategic Human Resource Management	162-246
Chap 04.	Accounting and Financial Management	247-318
Chap 05.	Strategic Financial Management	319-382
Chap 06.	Strategic Management and Marketing	383-458
Chap 07.	Marketing Management	459-536
Chap 08.	Operations Management and Quantitative Techniques	537-608
Chap 09.	International Business and Information Technology	609-689
Chap 10.	Entrepreneurship Development	690-773

****

Click Here to Buy book on Amazon

UNIVERSITY GRANTS COMMISSION
NET BUREAU

NET SYLLABUS

Subject : Management **Code No. : 17**

Unit – I

Management – Concept, Process, Theories and Approaches, Management Roles and Skills

Functions – Planning, Organizing, Staffing, Coordinating and Controlling.

Communication – Types, Process and Barriers.

Decision Making – Concept, Process, Techniques and Tools

Organisation Structure and Design – Types, Authority, Responsibility, Centralisation, Decentralisation and Span of Control

Managerial Economics – Concept & Importance

Demand analysis – Utility Analysis, Indifference Curve, Elasticity & Forecasting

Market Structures – Market Classification & Price Determination

National Income – Concept, Types and Measurement

Inflation – Concept, Types and Measurement

Business Ethics & CSR

Ethical Issues & Dilemma

Corporate Governance

Value Based Organisation

NODIA

Unit – II

Organisational Behaviour – Significance & Theories

Individual Behaviour – Personality, Perception, Values, Attitude, Learning and Motivation

Group Behaviour – Team Building, Leadership, Group Dynamics

Interpersonal Behaviour & Transactional Analysis

Organizational Culture & Climate

Work Force Diversity & Cross Culture Organisational Behaviour

Emotions and Stress Management

Organisational Justice and Whistle Blowing

Human Resource Management – Concept, Perspectives, Influences and Recent Trends

Human Resource Planning, Recruitment and Selection, Induction, Training and Development

Job Analysis, Job Evaluation and Compensation Management

Unit – III

Strategic Role of Human Resource Management

Competency Mapping & Balanced Scoreboard

Career Planning and Development

Performance Management and Appraisal

Organization Development, Change & OD Interventions

Talent Management & Skill Development

Employee Engagement & Work Life Balance

Downloaded from www.pdf.tube

Industrial Relations: Disputes & Grievance Management, Labour Welfare and Social Security

Trade Union & Collective Bargaining

International Human Resource Management – HR Challenge of International Business

Green HRM

Unit– IV

Accounting Principles and Standards, Preparation of Financial Statements

Financial Statement Analysis – Ratio Analysis, Funds Flow and Cash Flow Analysis, DuPont Analysis

Preparation of Cost Sheet, Marginal Costing, Cost Volume Profit Analysis

Standard Costing & Variance Analysis

Financial Management, Concept & Functions

Capital Structure – Theories, Cost of Capital, Sources and Finance

Budgeting and Budgetary Control, Types and Process, Zero base Budgeting

Leverages – Operating, Financial and Combined Leverages, EBIT–EPS Analysis, Financial Breakeven Point & Indifference Level.

Unit –V

Value & Returns – Time Preference for Money, Valuation of Bonds and Shares, Risk and Returns;

Capital Budgeting – Nature of Investment, Evaluation, Comparison of Methods; Risk and Uncertainly Analysis

Dividend – Theories and Determination

Mergers and Acquisition – Corporate Restructuring, Value Creation, Merger Negotiations, Leveraged Buyouts, Takeover

Portfolio Management – CAPM, APT

INDIA

Derivatives – Options, Option Payoffs, Option Pricing, Forward Contracts & Future Contracts

Working Capital Management – Determinants, Cash, Inventory, Receivables and Payables Management, Factoring

International Financial Management, Foreign exchange market

Unit - VI

Strategic Management – Concept, Process, Decision & Types

Strategic Analysis – External Analysis, PEST, Porter's Approach to industry analysis, Internal Analysis – Resource Based Approach, Value Chain Analysis

Strategy Formulation – SWOT Analysis, Corporate Strategy – Growth, Stability, Retrenchment, Integration and Diversification, Business Portfolio Analysis - BCG, GE Business Model, Ansoff's Product Market Growth Matrix

Strategy Implementation – Challenges of Change, Developing Programs Mckinsey 7s Framework

Marketing – Concept, Orientation, Trends and Tasks, Customer Value and Satisfaction

Market Segmentation, Positioning and Targeting

Product and Pricing Decision – Product Mix, Product Life Cycle, New Product development, Pricing – Types and Strategies

Place and promotion decision – Marketing channels and value networks, VMS, IMC, Advertising and Sales promotion

Unit –VII

Consumer and Industrial Buying Behaviour: Theories and Models of Consumer Behaviour

Brand Management – Role of Brands, Brand Equity, Equity Models, Developing a Branding Strategy; Brand Name Decisions, Brand Extensions and Loyalty

Logistics and Supply Chain Management, Drivers, Value creation, Supply Chain Design, Designing and Managing Sales Force, Personal Selling

Click Here to Buy book on Amazon

Service Marketing – Managing Service Quality and Brands, Marketing Strategies of Service Firms

Customer Relationship Marketing – Relationship Building, Strategies, Values and Process

Retail Marketing – Recent Trends in India, Types of Retail Outlets.

Emerging Trends in Marketing – Concept of e-Marketing, Direct Marketing, Digital Marketing and Green Marketing

International Marketing – Entry Mode Decisions, Planning Marketing Mix for International Markets

Unit –VIII

Statistics for Management: Concept, Measures Of Central Tendency and Dispersion, Probability Distribution – Binominal, Poison, Normal and Exponential

Data Collection & Questionnaire Design

Sampling – Concept, Process and Techniques

Hypothesis Testing – Procedure; T, Z, F, Chi-square tests

Correlation and Regression Analysis

Operations Management – Role and Scope

Facility Location and Layout – Site Selection and Analysis, Layout – Design and Process

Enterprise Resource Planning – ERP Modules, ERP implementation

Scheduling; Loading, Sequencing and Monitoring

Quality Management and Statistical Quality Control, Quality Circles, Total Quality Management – KAIZEN, Benchmarking, Six Sigma; ISO 9000 Series Standards

Operation Research – Transportation, Queuing Decision Theory, PERT / CPM

Unit –IX

International Business – Managing Business in Globalization Era; Theories of International Trade; Balance of payment

Downloaded from www.pdf.tube

Foreign Direct Investment – Benefits and Costs

Multilateral regulation of Trade and Investment under WTO

International Trade Procedures and Documentation; EXIM Policies

Role of International Financial Institutions – IMF and World Bank

Information Technology – Use of Computers in Management Applications; MIS, DSS

Artificial Intelligence and Big Data

Data Warehousing, Data Mining and Knowledge Management – Concepts

Managing Technological Change

NODIA

Unit – X

Entrepreneurship Development – Concept, Types, Theories and Process, Developing Entrepreneurial Competencies

Intrapreneurship – Concept and Process

Women Entrepreneurship and Rural Entrepreneurship

Innovations in Business – Types of Innovations, Creating and Identifying Opportunities, Screening of Business Ideas

Business Plan and Feasibility Analysis – Concept and Process of Technical, Market and Financial Analysis

Micro and Small Scale Industries in India; Role of Government in Promoting SSI

Sickness in Small Industries – Reasons and Rehabilitation

Institutional Finance to Small Industries – Financial Institutions, Commercial Banks, Cooperative Banks, Micro Finance.

Click Here to Buy book on Amazon

CHAPTER 01

Management Concepts and Managerial Economics

NODIA

1. Which of the following best defines 'Management'?
(A) The act of performing specific operational tasks within a functional department.
(B) The process of achieving organizational goals through planning, organizing, leading, and controlling resources.
(C) The function of solely focusing on strategic financial planning and capital allocation.
(D) A set of comprehensive rules and regulations governing professional employee behavior.

2. Consider the following statements:
Statement I: Management is a continuous and ongoing process.
Statement II: The process of management involves a series of discrete, unrelated functions.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

3. Who is considered the father of the 'Administrative Management' theory?
(A) F.W. Taylor
(B) Elton Mayo
(C) Henri Fayol
(D) Max Weber

4. The ability of a manager to see the organization as a whole and understand how the different parts affect each other is known as:
(A) Technical Skill
(B) Human Skill
(C) Design Skill
(D) Conceptual Skill

5. Which of the following is NOT a characteristic of the planning function of management?
(A) It is a primary function.
(B) It is a pervasive function.
(C) It is primarily a backward-looking function.
(D) It is a forward-looking function.

6. Read the following statements and select the correct option:
Assertion (A): A wider span of control is associated with a flat organization structure.
Reason (R): In a flat structure, a manager supervises a larger number of subordinates, leading to fewer hierarchical levels.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

7. A manager who is primarily responsible for implementing the plans and policies developed by top management is known as a:
(A) First-line manager
(B) Top-level manager
(C) Non-managerial employee
(D) Middle-level manager

8. The process of dividing work into smaller, manageable tasks and assigning them to individuals is a key component of which management function?
(A) Organizing
(B) Planning
(C) Controlling
(D) Coordinating

9. Match List I with List II regarding Mintzberg's Managerial Roles.
List I: (Role)
P. Figurehead
Q. Disseminator
R. Entrepreneur
S. Negotiator

List II: (Category)
1. Decisional
2. Informational
3. Interpersonal

(A) P-3, Q-2, R-1, S-1
(B) P-1, Q-2, R-3, S-1
(C) P-2, Q-3, R-1, S-3
(D) P-3, Q-1, R-2, S-2

10. Which management theory emphasizes a rational, efficient, and impersonal organization through clearly defined authority and responsibility?
(A) Bureaucratic Management Theory
(B) Human Relations Theory
(C) Scientific Management Theory
(D) Contingency Theory

11. According to the Systems Approach, an organization that actively interacts with its environment is considered a(n):
(A) Closed system
(B) Static system
(C) Isolated system
(D) Open system

12. Consider the following statements regarding effective control systems in management:
I. They are flexible.
II. They are costly and complex.
III. They are objective.
IV. They are forward-looking.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I, III, and IV only
(D) I, II, III, and IV

13. 'Grapevine' is a term used in the context of:
(A) Formal communication
(B) Written communication
(C) Informal communication
(D) Visual communication

14. The process by which a sender translates thoughts into a symbolic form is called:
(A) Decoding
(B) Feedback
(C) Channeling
(D) Encoding

15. In the decision-making process, the step that involves identifying and defining a problem or opportunity is known as:
(A) Diagnosis of the situation
(B) Evaluation of alternatives
(C) Selection of the best alternative
(D) Implementation of the decision

16. A decision made in response to a unique, poorly defined, and largely unstructured situation is called a:
(A) Programmed decision
(B) Non-programmed decision
(C) Routine decision
(D) Tactical decision

17. Which of the following is an example of a semantic barrier to communication?
(A) A noisy factory environment that prevents the receiver from hearing clearly.
(B) A manager using technical jargon with a non-technical employee who cannot understand it.
(C) A subordinate's fear of challenging their superior due to the existing power dynamics.
(D) A lack of feedback from the receiver which prevents the sender from knowing if the message arrived.

18. The right of a manager to give orders and the power to exact obedience is known as:
(A) Authority
(B) Responsibility
(C) Accountability
(D) Span of Control

19. A 'tall' organizational structure is characterized by:
(A) A wide span of control and few hierarchical levels
(B) A wide span of control and many hierarchical levels
(C) A narrow span of control and many hierarchical levels
(D) A narrow span of control and few hierarchical levels

20. The process of systematically gathering, recording, and analyzing data about jobs in order to prepare job descriptions and specifications is called:

Downloaded from www.pdf.tube

(A) Job Evaluation
(B) Job Enrichment
(C) Job Rotation
(D) Job Analysis

21. Arrange the following steps in the organizing process in the correct sequence:
I. Assignment of duties
II. Departmentalization
III. Identification and division of work
IV. Establishing reporting relationships
Select the correct answer from the options below:
(A) I, II, III, IV
(B) III, II, I, IV
(C) III, I, II, IV
(D) IV, II, I, III

22. Consider the following statements:
Statement I: Decentralisation refers to the systematic delegation of authority at all levels of management and in all of the organization.
Statement II: Centralisation ensures that decision-making authority is concentrated at the top level of management.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

23. The 'Delphi Technique' is a tool used for:
(A) Financial auditing
(B) Individual performance appraisal
(C) Market segmentation
(D) Group decision making and forecasting

24. Read the following statements and select the correct option:
Assertion (A): Effective coordination is the essence of management.
Reason (R): Coordination is a separate and distinct function of management, alongside planning, organizing, staffing, and controlling.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

25. An organizational structure where employees are grouped together based on their area of expertise (e.g., marketing, finance, production) is called a:
(A) Divisional structure
(B) Matrix structure
(C) Functional structure
(D) Network structure

26. Which of the following is NOT a technique for decision making under uncertainty?
(A) Linear programming
(B) Maximin principle
(C) Maximax principle
(D) Laplace principle

27. Consider the following statements about the management function of Staffing:
I. It involves manpower planning.
II. It includes recruitment, selection, and placement.
III. It is concerned with training and development of employees.
IV. It is a one-time activity performed only when a company is new.
V. It aims to put the right person in the right job.
Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) II, IV, and V only
(C) I, II, III, and V only
(D) I, II, III, IV, and V

28. The concept of 'Managerial Economics' is best described as:
(A) The study of the economy as a whole.
(B) The application of economic theory and methods to business decision-making.
(C) The application of macroeconomic theory to business problems.
(D) The management of a firm's financial resources.

NODIA

29. Which of the following is the most important reason for studying Managerial Economics?
(A) To understand international trade policies.
(B) To learn how to invest in the stock market.
(C) To provide a framework for analyzing business decisions.
(D) To study historical economic trends.

30. Match List I with List II regarding demand analysis concepts.
List I: (Concept)
P. Utility Analysis
Q. Indifference Curve
R. Price Elasticity
S. Demand Forecasting
List II: (Description)
1. Measures the responsiveness of quantity demanded to a change in price.
2. Predicts future demand for a product.
3. Represents combinations of two goods that provide the same level of satisfaction.
4. Assumes satisfaction can be measured in cardinal numbers.
(A) P-4, Q-3, R-1, S-2
(B) P-3, Q-4, R-2, S-1
(C) P-1, Q-2, R-3, S-4
(D) P-4, Q-1, R-3, S-2

31. The 'Law of Diminishing Marginal Utility' states that:
(A) The satisfaction derived from each additional unit of a good consumed decreases.
(B) Total utility always decreases as more units of a good are consumed.
(C) The average utility per unit increases with consumption.
(D) Marginal utility becomes negative after the first unit.

32. An indifference curve is typically:
(A) Concave to the origin.
(B) Convex to the origin.
(C) A straight line with a positive slope.
(D) A vertical line.

33. Which of the following statements about Indifference Curves is incorrect?
(A) Two indifference curves can never intersect each other.
(B) An indifference curve has a positive slope.
(C) A higher indifference curve represents a higher level of satisfaction.
(D) Indifference curves are downward sloping from left to right.

34. If the price elasticity of demand for a product is greater than 1, the demand is said to be:
(A) Elastic
(B) Inelastic
(C) Unitary elastic
(D) Perfectly inelastic

35. For a Giffen good, the demand curve is:
(A) Downward sloping
(B) Horizontal
(C) Upward sloping
(D) Vertical

36. Which of the following is NOT a method of demand forecasting?
(A) Survey of buyers' intentions
(B) Collective opinion method
(C) Trend projection method
(D) Break-even analysis

37. A market structure characterized by a large number of sellers, differentiated products, and easy entry and exit is called:
(A) Perfect Competition
(B) Monopoly
(C) Monopolistic Competition
(D) Oligopoly

38. Which of the following is a key feature of a Monopoly market?
(A) Many sellers
(B) A single seller
(C) Homogeneous product
(D) Free entry and exit

39. The practice of charging different prices for the same product from different buyers is known as:
(A) Price skimming
(B) Penetration pricing
(C) Cost-plus pricing
(D) Price discrimination

40. 'Kinked demand curve' is a feature associated with which market structure?
(A) Oligopoly
(B) Perfect Competition
(C) Monopoly
(D) Monopolistic Competition

41. Consider the following statements regarding a 'Perfect Competition' market:
I. Large number of buyers and sellers.
II. Homogeneous product.
III. Differentiated products.
IV. Free entry and exit of firms.

Click Here to Buy book on Amazon

V. Barriers to entry.
Which of the above statement(s) is/are correct?
(A) I, III, and V only
(B) II, IV, and V only
(C) I, II, and IV only
(D) I, III, and IV only

42. The total market value of all final goods and services produced within the geographical boundaries of a country during a specific period is known as:
(A) Gross Domestic Product (GDP)
(B) Gross National Product (GNP)
(C) Net National Product (NNP)
(D) Personal Income (PI)

43. Which of the following would be included in the calculation of a country's GDP?
(A) The value of a used car sold in the current year.
(B) The value of services provided by a homemaker.
(C) The value of shares bought on the stock exchange.
(D) The value of a new car produced and sold in the current year.

44. Arrange the following steps of the communication process in the correct sequence:
I. Decoding
II. Encoding
III. Feedback
IV. Channel
V. Message
Select the correct answer from the options below:
(A) V, II, IV, I, III
(B) II, V, IV, I, III
(C) V, IV, II, I, III
(D) II, IV, V, III, I

45. The difference between Gross National Product (GNP) and Net National Product (NNP) is:
(A) Net factor income from abroad
(B) Indirect taxes
(C) Depreciation
(D) Subsidies

46. Which method of measuring national income focuses on the total payments made to factors of production?
(A) Product method
(B) Expenditure method
(C) Value-added method
(D) Income method

47. A persistent and appreciable rise in the general price level is known as:
(A) Inflation
(B) Deflation
(C) Disinflation
(D) Stagflation

48. Read the following statements and select the correct option:
Assertion (A): Inflation driven by a significant increase in the cost of production is known as cost-push inflation.
Reason (R): A rise in wages or an increase in the price of raw materials can lead to cost-push inflation.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

49. Inflation that occurs when aggregate demand in an economy outpaces aggregate supply is called:
(A) Cost-push inflation
(B) Demand-pull inflation
(C) Structural inflation
(D) Galloping inflation

50. The Consumer Price Index (CPI) measures changes in the:
(A) Price level of a basket of consumer goods and services
(B) Price level of capital goods
(C) Price level of goods and services purchased by producers
(D) Average wage rates of workers

51. Which of the following is NOT a type of unemployment?
(A) Frictional unemployment
(B) Structural unemployment
(C) Inflationary unemployment
(D) Cyclical unemployment

NODIA

52. The concept of 'Business Ethics' primarily deals with:
(A) Maximizing shareholder wealth at all costs.
(B) Strategies for competitive advantage.
(C) Legal compliance and adherence to regulations only.
(D) Moral principles and values that guide business behavior.

53. Corporate Social Responsibility (CSR) refers to a company's:
(A) Obligation to maximize profits for its shareholders.
(B) Responsibility towards its employees only.
(C) Commitment to operate in an economically, socially, and environmentally sustainable manner.
(D) Philanthropic donations and charitable activities only.

54. A situation where an individual or organization faces a conflict between two or more moral imperatives, where to obey one would result in transgressing another, is known as a(n):
(A) Ethical standard
(B) Ethical dilemma
(C) Corporate governance
(D) Value proposition

55. Consider the following potential ethical issues in business:
I. Insider trading.
II. Deceptive advertising.
III. Discrimination in hiring.
IV. Unsafe working conditions.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) III and IV only
(C) I, II, and III only
(D) I, II, III, and IV

56. The framework of rules, relationships, systems, and processes by which an enterprise is directed and controlled is called:
(A) Corporate Governance
(B) Corporate Social Responsibility
(C) Business Ethics
(D) Managerial Economics

57. The primary objective of Corporate Governance is to:
(A) Ensure the company makes the highest possible profit.
(B) Focus solely on the needs of the top management.
(C) Balance the interests of a company's many stakeholders.
(D) Minimize the company's tax liabilities.

58. A 'Value Based Organisation' is one that:
(A) Bases its operations and decisions on a set of core ethical values.
(B) Is primarily focused on the monetary value of its assets.
(C) Offers the best value for money to its customers.
(D) Prioritizes short-term financial gains over long-term sustainability.

59. In the context of communication, 'noise' can be defined as:
(A) The verbal content of the message.
(B) The channel through which the message is sent.
(C) The feedback provided by the receiver.
(D) Any factor that distorts or interferes with the message.

60. The principle of 'Unity of Command' as proposed by Henri Fayol suggests that:
(A) All units of an organization should be moving towards the same objective.
(B) An employee should receive orders from one superior only.
(C) There should be one head and one plan for a group of activities having the same objective.
(D) All employees should be treated as equally as possible.

61. Match List I with List II regarding organizational structure concepts.
List I: (Concept)
P. Authority
Q. Responsibility
R. Centralisation
S. Decentralisation
List II: (Description)
1. Obligation to perform an assigned task.
2. Systematic dispersal of authority throughout the organization.
3. The right to give commands and make

NODIA

decisions.
4. Concentration of decision-making power at the top.

(A) P-1, Q-3, R-2, S-4
(B) P-3, Q-1, R-4, S-2
(C) P-4, Q-2, R-1, S-3
(D) P-2, Q-4, R-3, S-1

62. The 'Hawthorne Studies' are most closely associated with which management approach?
(A) Scientific Management
(B) Administrative Theory
(C) Contingency Theory
(D) Human Relations Movement

63. Which decision-making tool involves a graphical representation of decisions and their possible consequences, including chance event outcomes?
(A) Decision Tree
(B) Payoff Matrix
(C) Linear Programming
(D) Brainstorming

64. Consider the following statements:
Statement I: Responsibility can be delegated from a superior to a subordinate.
Statement II: Accountability cannot be delegated and always rests with the person who delegates authority.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

65. A market structure with a few large firms that are mutually interdependent is:
(A) Perfect Competition
(B) Oligopoly
(C) Monopoly
(D) Monopolistic Competition

66. Which of the following is NOT a component of the PESTLE analysis used in environmental scanning?
(A) Structural
(B) Political
(C) Economic
(D) Technological

67. Consider the following statements regarding the relationship between authority and responsibility:
I. Authority flows downwards, while responsibility flows upwards.
II. Authority and responsibility should be co-equal.
III. Responsibility can exist without authority.
IV. Authority is the right to command, while responsibility is the obligation to perform.
Which of the above statement(s) is/are correct?
(A) I and III only
(B) II and IV only
(C) I, II, and IV only
(D) I, II, III, and IV

68. The idea that there is "one best way" to perform a task is a central tenet of:
(A) Contingency Theory
(B) Human Relations Theory
(C) Systems Theory
(D) Scientific Management

69. In the context of national income, what does 'Net Factor Income from Abroad' represent?
(A) The total value of a nation's exports minus the total value of its imports during a fiscal year.
(B) The total amount of foreign direct investment into a country minus its outward investment.
(C) The income earned by domestic factors of production in foreign countries minus the income earned by foreign factors of production in the domestic country.
(D) The total volume of financial remittances received from domestic citizens working abroad.

70. Read the following statements and select the correct option:
Assertion (A): Price discrimination is possible only when the market can be segmented and there is no possibility of resale between segments.
Reason (R): For price discrimination to be profitable, the price elasticity of demand must be the same in all sub-markets.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct

Downloaded from www.pdf.tube

explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

71. 'Stagflation' is a situation characterized by:
(A) High inflation and high economic growth
(B) Low inflation and low economic growth
(C) Low inflation and low unemployment
(D) High inflation and high unemployment

72. An organization's code of conduct is an example of its commitment to:
(A) Business ethics
(B) Managerial economics
(C) Market structure analysis
(D) Demand forecasting

73. The 'span of control' refers to:
(A) The number of hierarchical levels in an organization.
(B) The degree of authority a manager has.
(C) The number of subordinates a manager can effectively supervise.
(D) The geographical area covered by the organization's operations.

74. A plan that is comprehensive, long-term, and provides a broad guideline for action is a:
(A) Strategy
(B) Policy
(C) Procedure
(D) Rule

75. Arrange the main management functions in their logical sequence:
I. Controlling
II. Planning
III. Organizing
IV. Staffing
V. Coordinating
Select the correct sequence as commonly presented in management literature:
(A) II, III, IV, V, I
(B) I, II, III, IV, V
(C) II, IV, III, V, I
(D) V, II, IV, III, I

76. When the cross elasticity of demand between two goods is positive, the goods are:
(A) Complements
(B) Substitutes
(C) Giffen goods
(D) Independent goods

77. The 'Contingency Approach' to management suggests that:
(A) There is one best way to manage in all situations.
(B) The primary focus of management should be on human relations.
(C) Management practices should be adapted to the specific situation and environment.
(D) Organizations should be structured as rigid bureaucracies.

78. A line-and-staff organization combines which two types of authority?
(A) Line and Functional
(B) Line and Project
(C) Project and Matrix
(D) Direct line authority and advisory staff authority

79. Consider the following statements about Value Based Organisations:
I. They prioritize profits over principles.
II. They have a clearly articulated set of guiding values.
III. Their values influence strategic decisions and daily operations.
IV. They often exhibit a strong sense of corporate social responsibility.
V. They are typically less successful than other organizations.
Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and V only
(D) II, IV, and V only

80. What is the primary difference between a 'leader' and a 'manager'?
(A) A manager has official authority, while a leader may not.
(B) Leadership is about influencing people to achieve goals, while management is about administering and coordinating resources.
(C) Managers inspire and motivate, while leaders administer and control.
(D) Leaders focus on systems and structure, while managers focus on people.

NODIA

81. Which type of communication flows from a subordinate to a superior?
(A) Downward communication
(B) Upward communication
(C) Horizontal communication
(D) Diagonal communication

82. The law of demand assumes that which of the following remains constant?
(A) Tastes, income, and prices of related goods
(B) Price of the commodity
(C) Quantity demanded
(D) Supply of the commodity

83. The process of setting standards, measuring actual performance, and taking corrective action is known as:
(A) Planning
(B) Organizing
(C) Controlling
(D) Coordinating

84. 'Brainstorming' is a technique primarily used for:
(A) Evaluating the financial feasibility of a project.
(B) Implementing a chosen course of action.
(C) Controlling employee performance.
(D) Generating a large number of ideas in a group setting.

85. In market structures, 'product differentiation' is a key characteristic of:
(A) Perfect competition only
(B) Monopoly only
(C) Monopolistic competition and Oligopoly
(D) Perfect competition and Monopoly

86. Match List I with List II regarding types of inflation.
List I: (Type)
P. Creeping Inflation
Q. Galloping Inflation
R. Hyperinflation
S. Demand-Pull Inflation
List II: (Characteristic)
1. Extremely rapid inflation, often exceeding 50% per month.
2. A mild and predictable rise in prices, often single-digit.
3. Caused by excess of aggregate demand over aggregate supply.
4. Very high inflation running into double or triple digits per year.
(A) P-1, Q-2, R-3, S-4
(B) P-2, Q-4, R-1, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-2, Q-3, R-1, S-4

87. A situation where a firm produces its output at the lowest possible cost per unit is referred to as:
(A) Allocative efficiency
(B) Dynamic efficiency
(C) X-inefficiency
(D) Productive efficiency

88. The 'invisible hand' metaphor, referring to the self-regulating nature of the marketplace, was coined by:
(A) Adam Smith
(B) John Maynard Keynes
(C) Karl Marx
(D) David Ricardo

89. A matrix organization structure violates which classical principle of management?
(A) Unity of Direction
(B) Scalar Chain
(C) Unity of Command
(D) Division of Work

90. Consider the following statements:
Statement I: Business ethics and law are identical.
Statement II: An action can be legal but unethical.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

91. The concept that the total output will increase at a diminishing rate when more units of a variable factor are combined with a fixed factor is known as:
(A) Law of Diminishing Marginal Utility
(B) Law of Equi-marginal Utility
(C) Law of Returns to Scale
(D) Law of Variable Proportions

92. Which of the following is NOT a recognized pillar of corporate governance?

Click Here to Buy book on Amazon

(A) Accountability
(B) Inflexibility
(C) Fairness
(D) Transparency

93. Consider the following statements about the process of decision making:
I. Identifying the problem is the first step.
II. It is a purely rational process, free from biases.
III. Developing alternatives is a crucial step.
IV. The process ends once a choice is made.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) I and III only
(C) II and IV only
(D) III and IV only

94. The 'Whistleblower Protection' policy in a company is a mechanism to encourage:
(A) Higher productivity
(B) Better customer service
(C) Faster decision making
(D) Reporting of unethical or illegal activities

95. Read the following statements and select the correct option:
Assertion (A): A Veblen good is a good for which demand increases as the price increases.
Reason (R): This occurs because of its exclusive nature and appeal as a status symbol.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

96. The responsibility of an enterprise towards its shareholders, employees, customers, and society at large is collectively known as:
(A) Profit maximization
(B) Corporate Social Responsibility
(C) Corporate governance
(D) Stakeholder theory

97. An organization chart shows:
(A) The financial health of the company.
(B) The formal structure of authority and reporting relationships.
(C) The informal communication channels.
(D) The workflow process for a single product.

98. In managerial economics, the 'opportunity cost' of a decision is:
(A) The value of the next best alternative foregone.
(B) The total monetary expense incurred.
(C) The variable cost of production.
(D) The fixed cost of the business.

99. The "Iron Law of Responsibility" suggests that:
(A) Businesses should focus solely on economic activities.
(B) Government must regulate all business activities to ensure they are responsible.
(C) In the long run, those who do not use power in a manner society considers responsible will tend to lose it.
(D) Responsibility can be delegated but accountability cannot.

100. When a manager shares information with subordinates, it is an example of which type of communication?
(A) Upward communication
(B) Horizontal communication
(C) Grapevine
(D) Downward communication

101. Arrange the following management theorists in chronological order of their primary contributions:
I. Elton Mayo
II. F.W. Taylor
III. Henri Fayol
IV. Peter Drucker
Select the correct sequence from the options below:
(A) II, III, I, IV
(B) III, II, I, IV
(C) I, II, III, IV
(D) II, I, III, IV

102. Which of the following is considered a technique for decision making under risk?
(A) Maximin criterion
(B) Expected Monetary Value (EMV)
(C) Maximax criterion
(D) Laplace criterion

NODIA

103. 'Management by Objectives' (MBO) is a process where:
(A) Top management sets all objectives for the organization.
(B) Objectives are based solely on past performance.
(C) The focus is on managing activities rather than results.
(D) Objectives are set jointly by superiors and subordinates.

104. Consider the following statements regarding Corporate Social Responsibility (CSR):
I. It is a purely philanthropic activity.
II. It goes beyond legal compliance.
III. It aims to create shared value for business and society.
IV. It is mandatory in some countries for certain categories of companies.
V. It only concerns environmental issues.
Which of the above statement(s) is/are correct?
(A) I, II, and V only
(B) II, III, and IV only
(C) I, III, and IV only
(D) II, IV, and V only

105. In the context of elasticity, if a 10% increase in price leads to a 5% decrease in quantity demanded, the price elasticity of demand is:
(A) -2.0, which is elastic.
(B) -1.0, which is unitary elastic.
(C) -0.5, which is inelastic.
(D) -0.2, which is inelastic.

106. A plan expressed in numerical terms for a specific period of time is known as a:
(A) Budget
(B) Policy
(C) Program
(D) Procedure

107. The 'Scalar Chain' principle refers to:
(A) Equal treatment for all employees.
(B) The number of subordinates under one supervisor.
(C) A place for everything and everything in its place.
(D) The line of authority from the highest to the lowest rank.

108. Which market structure is most likely to engage in non-price competition, such as advertising and branding?
(A) Perfect Competition
(B) Monopolistic Competition
(C) Monopoly
(D) Pure Oligopoly

109. Consider the following statements:
Statement I: National Income calculated at current prices is called 'Nominal National Income'.
Statement II: National Income calculated at constant (base year) prices is called 'Real National Income'.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

110. A 'SWOT' analysis is a strategic planning tool that assesses an organization's:
(A) Sales, Wages, Operations, and Taxes
(B) Strategy, Workforce, Organization, and Technology
(C) Shareholders, Workers, Officials, and Teams
(D) Strengths, Weaknesses, Opportunities, and Threats

111. Which of the following is NOT an element of the communication process?
(A) Concentration
(B) Sender
(C) Receiver
(D) Channel

112. The degree to which jobs within an organization are standardized is referred to as:
(A) Centralisation
(B) Formalization
(C) Span of Control
(D) Departmentalization

113. Match List I with List II concerning economic concepts.
List I: (Term)
P. GDP Deflator
Q. Phillips Curve
R. Laffer Curve
S. Lorenz Curve
List II: (Represents)

Downloaded from www.pdf.tube

1. Relationship between tax rates and tax revenue.
2. A measure of inflation, calculated as (Nominal GDP / Real GDP) x 100.
3. Graphical representation of income or wealth inequality.
4. Inverse relationship between inflation and unemployment.

(A) P-1, Q-3, R-2, S-4
(B) P-2, Q-4, R-1, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

114. The 'Father of Scientific Management' is:
(A) F.W. Taylor
(B) Max Weber
(C) Chester Barnard
(D) Henri Fayol

115. An organization that has a dual-reporting structure, typically combining functional and project/product lines of authority, is a:
(A) Functional Structure
(B) Divisional Structure
(C) Matrix Structure
(D) Network Structure

116. Which of the following is an example of a decisional role for a manager, according to Mintzberg?
(A) Monitor
(B) Disseminator
(C) Spokesperson
(D) Resource Allocator

117. Read the following statements and select the correct option:
Assertion (A): Decentralisation of authority can lead to faster decision-making at lower levels.
Reason (R): Decentralisation empowers lower-level managers to make decisions without needing approval from top management for every issue.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

NODIA

118. In demand analysis, an 'inferior good' is a good for which demand decreases when:
(A) Its price increases.
(B) Consumer income increases.
(C) Its price decreases.
(D) Consumer income decreases.

119. Consider the following statements about principles of Corporate Governance:
I. Transparency in operations.
II. Autocratic decision making.
III. Accountability to stakeholders.
IV. Lack of fairness in dealings.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) I and III only
(C) II and IV only
(D) III and IV only

120. A short-term, non-repetitive plan created to deal with a specific situation is called a:
(A) Program
(B) Policy
(C) Rule
(D) Procedure

121. The phase of the business cycle characterized by falling output, income, and employment is:
(A) Expansion
(B) Peak
(C) Recession
(D) Trough

122. The "Triple Bottom Line" approach to CSR considers which three aspects of performance?
(A) People, Planet, Profit
(B) Product, Price, Place
(C) Profit, Power, Politics
(D) Planning, Performance, People

123. The ability to use the procedures, techniques, and knowledge of a specialized field is a(n):
(A) Conceptual skill
(B) Human skill
(C) Interpersonal skill
(D) Technical skill

124. When a company bases its departmentalization on the different regions it serves (e.g., North, South, East, West), it is using:
(A) Functional departmentalization

(B) Geographic departmentalization
(C) Product departmentalization
(D) Customer departmentalization

125. In the context of decision-making, 'satisficing' means:
(A) Choosing the absolute best possible solution.
(B) Delaying the decision until more information is available.
(C) Choosing the first solution that is "good enough".
(D) Involving all stakeholders in the decision process.

126. Arrange the levels of Carroll's CSR Pyramid from the base to the top:
I. Philanthropic Responsibilities
II. Economic Responsibilities
III. Legal Responsibilities
IV. Ethical Responsibilities
Select the correct sequence from the options below:
(A) I, II, III, IV
(B) II, III, IV, I
(C) IV, III, II, I
(D) II, IV, III, I

127. Which of the following is a barrier to effective planning?
(A) Rigidity and lack of adaptability
(B) Flexibility in plans
(C) Clear, specific objectives
(D) Accurate forecasting

128. If a change in price has no effect on the total revenue, the price elasticity of demand is:
(A) Perfectly inelastic
(B) Unitary elastic
(C) Inelastic
(D) Elastic

129. The process of influencing people so that they will contribute to organizational and group goals is:
(A) Controlling
(B) Leading
(C) Staffing
(D) Organizing

130. Consider the following statements about inflation:
I. It erodes the purchasing power of money.
II. It benefits lenders and penalizes borrowers.
III. Moderate inflation can be a sign of a healthy growing economy.
IV. It is always caused by an increase in the money supply.
V. 'Deflation' is a term for very high inflation.
Which of the above statement(s) is/are correct?
(A) I and III only
(B) II and IV only
(C) I, III, and IV only
(D) I, II, and V only

131. The "Human Relations" school of thought was a reaction against the perceived shortcomings of:
(A) The Systems Approach
(B) The Contingency Approach
(C) The Classical Approach
(D) The Modern Approach

132. In a SWOT analysis, a favorable external environmental factor for an organization is known as a(n):
(A) Strength
(B) Weakness
(C) Threat
(D) Opportunity

133. Which of the following is a quantitative technique for decision making?
(A) Brainstorming
(B) Delphi Technique
(C) Operations Research
(D) Nominal Group Technique

134. A market with only one buyer is called:
(A) Monopoly
(B) Monopsony
(C) Duopoly
(D) Oligopsony

135. The ethical theory that focuses on the consequences of an action, aiming to produce the greatest good for the greatest number, is:
(A) Deontology
(B) Virtue Ethics
(C) Rights Theory
(D) Utilitarianism

136. Consider the following statements:
Statement I: Formal communication follows the

Click Here to Buy book on Amazon

official chain of command.
Statement II: Informal communication, or the 'grapevine', is always inaccurate and harmful to the organization.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

137. Which of the following is a direct instrument of monetary policy used to control inflation?
(A) Increasing government spending
(B) Reducing income tax rates
(C) Increasing the bank rate
(D) Imposing price controls

138. The process of integrating the objectives and activities of separate units of an organization to achieve organizational goals efficiently is:
(A) Coordinating
(B) Staffing
(C) Controlling
(D) Directing

139. Match List I with List II regarding key management concepts.
List I: (Concept)
P. Span of Control
Q. Unity of Command
R. Esprit de Corps
S. Scalar Chain
List II: (Associated Idea)
1. Union is strength.
2. Chain of superiors from highest to lowest rank.
3. Number of subordinates a manager can effectively supervise.
4. An employee should have only one boss.
(A) P-3, Q-4, R-1, S-2
(B) P-4, Q-3, R-2, S-1
(C) P-1, Q-2, R-3, S-4
(D) P-2, Q-1, R-4, S-3

140. Which of the following best describes 'value-based management'?
(A) A management style that focuses solely on increasing the stock price.
(B) A management framework where corporate values guide all decisions and actions.
(C) A system of cost-cutting and efficiency improvements.
(D) A focus on the net present value of all business decisions.

141. The point where an indifference curve is tangent to the budget line represents:
(A) The point of minimum satisfaction.
(B) A point where the consumer spends only on one good.
(C) The consumer's equilibrium.
(D) A point that is unattainable with the given income.

142. Read the following statements and select the correct option:
Assertion (A): In a monopolistic competition market, firms have some degree of market power.
Reason (R): This market power arises from product differentiation, which makes the products of different firms close but not perfect substitutes.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

143. Consider the following components of the communication process:
I. Sender
II. Channel
III. Noise
IV. Receiver
V. Feedback
Which of the above statement(s) is/are correct?
(A) I and II only
(B) I, II, and IV only
(C) I, II, III, and IV only
(D) I, II, III, IV, and V

144. The obligation of a subordinate to whom a duty has been assigned to perform is called:
(A) Authority
(B) Responsibility
(C) Accountability
(D) Delegation

145. "A place for everything and everything in its place" is the essence of which of Fayol's principles?

Downloaded from www.pdf.tube

(A) Equity
(B) Order
(C) Initiative
(D) Stability of Tenure

146. Which of the following is NOT a feature of an indifference curve?
(A) They intersect each other at the point of equilibrium.
(B) They are convex to the origin.
(C) They slope downwards to the right.
(D) Higher curves represent higher satisfaction.

147. The primary purpose of the 'Staffing' function is to:
(A) Develop organizational charts.
(B) Set performance standards and monitor results.
(C) Ensure the organization has the right number and kind of people at the right places.
(D) Allocate financial resources to different departments.

148. The difference between the value of a nation's exports and the value of its imports is:
(A) Gross Domestic Product
(B) Balance of Payments
(C) Balance of Trade
(D) Net Factor Income from Abroad

149. An ethical dilemma arises when:
(A) There is a clear choice between right and wrong.
(B) An action is illegal.
(C) There is a conflict between two or more valid but competing ethical values or principles.
(D) A decision results in a financial loss.

150. A decision support system (DSS) is a tool primarily designed to help managers with:
(A) Routine, programmed decisions.
(B) Semi-structured and unstructured decision problems.
(C) Automating clerical tasks.
(D) Communicating with employees.

151. Arrange the steps of the control process in the correct order:
I. Taking corrective action
II. Comparing actual performance with standards
III. Establishing standards
IV. Measuring actual performance
Select the correct sequence from the options below:
(A) III, IV, II, I
(B) I, II, III, IV
(C) III, II, IV, I
(D) IV, III, II, I

152. A 'loss leader' pricing strategy involves:
(A) Setting a price below cost to attract customers in the hope they will buy other, more profitable items.
(B) Setting a high initial price for a product to capture the segment willing to pay a premium.
(C) Charging different prices to various customer segments based on their unique willingness to pay.
(D) Establishing price points based primarily on the value perceived by the target consumer group.

153. 'Gang Plank', as suggested by Henri Fayol, refers to:
(A) A special type of incentive plan for workers.
(B) A safety measure in a factory.
(C) A system of direct communication between employees at the same level of hierarchy to speed up communication.
(D) The formal line of authority in an organization.

154. Which of the following statements about Corporate Governance is INCORRECT?
(A) It is primarily concerned with external marketing strategies.
(B) It involves balancing the interests of various stakeholders.
(C) It aims to enhance shareholder value.
(D) It relies on principles like transparency, accountability, and fairness.

155. The 'Hawthorne effect' refers to the phenomenon where:
(A) Workers' productivity decreases when they are observed.
(B) Physical working conditions are the only factor affecting productivity.
(C) Informal groups have no influence on

NODIA

workplace behavior.
(D) People tend to perform better when they know they are being observed as part of a study.

156. In the context of decision making, 'bounded rationality' means that:
(A) Decisions are always completely rational and optimal.
(B) Decision-makers are limited by their cognitive abilities, available information, and time.
(C) Only top managers can make rational decisions.
(D) Rationality is not a factor in business decisions.

157. Consider the following characteristics of a 'Monopoly' market structure:
I. A single seller.
II. Significant barriers to entry.
III. A unique product with no close substitutes.
IV. The firm is a price taker.
Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) I and IV only
(C) II, III, and IV only
(D) I, II, III, and IV

158. Consider the following statements:
Statement I: The primary goal of a Value Based Organisation is to maximize shareholder wealth, even if it requires compromising on values.
Statement II: In a Value Based Organisation, shared values provide a common purpose and guide for employee behavior.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

159. The 'income elasticity of demand' measures the responsiveness of quantity demanded to a change in:
(A) Consumer income.
(B) The price of the good.
(C) The price of a related good.
(D) The supply of the good.

160. An organizational structure that groups together employees who work on the same product, serve similar customers, or are in the same geographical area is a:
(A) Functional structure
(B) Divisional structure
(C) Matrix structure
(D) Bureaucratic structure

161. Read the following statements and select the correct option:
Assertion (A): Inflation measurement is a straightforward and universally agreed-upon process.
Reason (R): Different indices like CPI, WPI, and GDP deflator can yield different inflation figures because they track different baskets of goods and services.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

162. The theory of management that focuses on managing the total organization and was developed by practitioners like Fayol is:
(A) Administrative Management
(B) Scientific Management
(C) Bureaucratic Management
(D) Operations Management

163. The final step in the decision-making process is:
(A) Selecting an alternative
(B) Identifying the problem
(C) Evaluating decision effectiveness (feedback)
(D) Implementing the alternative

164. Match List I with List II regarding communication types.
List I: (Type)
P. Downward
Q. Upward
R. Horizontal
S. Grapevine
List II: (Example)
1. A subordinate submitting a report to their boss.
2. A rumor spreading in the lunchroom.
3. A manager giving instructions to a subordinate.
4. Two managers from different departments

Click Here to Buy book on Amazon

coordinating on a project.
(A) P-1, Q-3, R-2, S-4
(B) P-3, Q-1, R-4, S-2
(C) P-4, Q-2, R-1, S-3
(D) P-2, Q-4, R-3, S-1

165. The term 'utility' in economics refers to:
(A) The usefulness of a good.
(B) The price of a good.
(C) The want-satisfying power of a good.
(D) The demand for a good.

166. A tall organization structure, compared to a flat one, generally has:
(A) Better communication and faster decision-making.
(B) More layers of management and slower communication.
(C) Lower administrative overheads.
(D) A wider span of control for managers.

167. Consider the following statements about Business Ethics:
I. It is concerned with what is right and wrong in business conduct.
II. It is separate from and irrelevant to corporate profitability.
III. It applies to the behavior of both individuals and the organization as a whole.
IV. Following the law is sufficient to be considered ethical.
V. It is a key component of building trust with stakeholders.
Which of the above statement(s) is/are correct?
(A) I, II, and IV only
(B) II, III, and V only
(C) I, III, and V only
(D) I, IV, and V only

168. The managerial function of filling and keeping filled the positions in the organization structure is:
(A) Staffing
(B) Planning
(C) Organizing
(D) Controlling

169. What is a key assumption of cardinal utility analysis?
(A) Utility can be ranked but not measured.
(B) Utility is subjective and cannot be compared across individuals.
(C) Utility can be measured in absolute, numerical units (utils).
(D) The marginal utility of money is not constant.

170. Which of the following best defines "price determination" in a market?
(A) The interaction of supply and demand to establish the market price of a good or service.
(B) The process by which the government sets the price of a good.
(C) A company's internal process for setting its selling price.
(D) The calculation of the cost of production for a good.

171. A situation where a decision maker knows the possible outcomes of a decision and the probability of each outcome occurring is known as decision making under:
(A) Certainty
(B) Uncertainty
(C) Ambiguity
(D) Risk

172. The concept of Corporate Governance gained prominence globally primarily due to:
(A) The rise of the internet and e-commerce.
(B) A series of major corporate scandals and failures.
(C) Increased government intervention in all businesses.
(D) The success of small, family-owned businesses.

173. The 'break-even point' is where:
(A) Total revenue is maximized.
(B) Total profit is maximized.
(C) Total revenue equals total cost.
(D) Marginal cost equals marginal revenue.

174. In Fayol's 14 principles of management, 'initiative' refers to:
(A) The need for team spirit and harmony.
(B) Fair and kind treatment of employees.
(C) The proper and systematic arrangement of things and people.
(D) The freedom for employees to think out and execute plans.

NODIA

175. Read the following statements and select the correct option:
Assertion (A): In perfect competition, a single firm cannot influence the market price.
Reason (R): Each firm in a perfectly competitive market produces a negligible fraction of the total industry output, making it a price taker.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

176. Which of the following is NOT a type of organizational structure?
(A) Functional Structure
(B) Ethical Structure
(C) Divisional Structure
(D) Matrix Structure

177. Which method of measuring National Income adds up all the spending on final goods and services in an economy?
(A) Income Method
(B) Expenditure Method
(C) Product Method
(D) Social Accounting Method

178. The ability to work well with other people, both individually and in a group, relies on a manager's:
(A) Human skills
(B) Technical skills
(C) Conceptual skills
(D) Design skills

179. A psychological barrier to communication could be:
(A) A faulty telephone line.
(B) Complex organizational structure.
(C) Premature evaluation or jumping to conclusions.
(D) Using technical terms not understood by the receiver.

180. Match List I with List II concerning market structures.
List I: (Market Structure)
P. Perfect Competition
Q. Monopoly
R. Oligopoly
S. Monopolistic Competition
List II: (Key Feature)
1. Strategic interdependence between firms.
2. Many firms, differentiated products.
3. A single seller, unique product.
4. Many firms, homogeneous product.
(A) P-1, Q-2, R-3, S-4
(B) P-4, Q-3, R-1, S-2
(C) P-2, Q-1, R-4, S-3
(D) P-3, Q-4, R-2, S-1

181. 'Greenwashing' is an ethical issue where a company:
(A) Invests heavily in green technology.
(B) Follows all environmental regulations strictly.
(C) Spends more money on advertising its green credentials than on actual environmentally sound practices.
(D) Donates a portion of its profits to environmental charities.

182. A standing plan that provides guidelines for decision-making in a specific area is a:
(A) Budget
(B) Policy
(C) Program
(D) Project

183. Consider the following communication channels:
I. The Grapevine
II. Management-by-walking-around
III. Official Memos
IV. Company Newsletter
Which of the above statement(s) is/are correct as 'informal' channels?
(A) I only
(B) I and II only
(C) III and IV only
(D) I, II, and IV only

184. The marginal rate of substitution (MRS) between two goods on an indifference curve:
(A) Diminishes as we move down the curve.
(B) Is constant along the curve.
(C) Increases as we move down the curve.
(D) Is always equal to one.

Downloaded from www.pdf.tube

185. A Value Based Organisation is characterized by all of the following EXCEPT:
(A) A strong and shared value system.
(B) Alignment of strategy and culture with core values.
(C) An exclusive focus on short-term financial performance.
(D) A commitment to ethical behavior and social responsibility.

186. The process by which the receiver interprets the symbols used by the sender is called:
(A) Decoding
(B) Encoding
(C) Transmitting
(D) Feedback

187. Consider the following statements:
Statement I: The concept of span of control is universally fixed at 6 subordinates per manager.
Statement II: The optimal span of control depends on factors such as the complexity of tasks, the skill level of employees, and the manager's ability.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

188. 'Laissez-faire' leadership style is characterized by:
(A) The leader making all decisions alone.
(B) The leader giving the group complete freedom to make decisions.
(C) The leader involving the group in decision making.
(D) The leader using rewards and punishments to influence followers.

189. According to the law of demand, the relationship between price and quantity demanded is:
(A) Positive
(B) Proportional
(C) Inverse
(D) No relationship

190. What is the fundamental difference between centralization and decentralization?
(A) The number of products a company offers.
(B) The geographical location of the company headquarters.
(C) The type of technology used in production.
(D) The degree to which decision-making authority is retained at the top or delegated to lower levels.

191. Read the following statements and select the correct option:
Assertion (A): A well-defined organization structure is essential for the smooth functioning of an enterprise.
Reason (R): It helps in clarifying authority-responsibility relationships and avoids duplication of effort.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

192. Which of the following is considered a part of a company's microenvironment?
(A) Economic policies
(B) Suppliers
(C) Technological advancements
(D) Demographic trends

193. The concept of "procedural justice" in business ethics relates to:
(A) The fairness of the outcomes or results.
(B) The fairness of the processes used to make decisions and allocate resources.
(C) The fairness of communication and interpersonal treatment.
(D) The fairness of the prices charged to customers.

194. Consider the following components of Managerial Economics:
I. Demand Analysis and Forecasting.
II. Cost and Production Analysis.
III. National Income Accounting.
IV. Price Determination and Market Structures.
V. Theories of Management.
Which of the above statement(s) is/are correct?
(A) I, II, and IV only
(B) I, III, and V only
(C) II, IV, and V only
(D) I, II, III, and IV only

NODIA

195. The phenomenon of 'creeping inflation' refers to:
(A) A rapid, out-of-control increase in prices.
(B) A period of falling prices.
(C) A very slow and gradual rise in the general price level.
(D) Inflation combined with economic stagnation.

196. The managerial grid, developed by Blake and Mouton, identifies leadership styles based on two dimensions:
(A) Autocratic and Democratic styles
(B) Task structure and Leader-member relations
(C) Extroversion and Conscientiousness
(D) Concern for People and Concern for Production

197. Which of the following is NOT one of Henri Fayol's 14 Principles of Management?
(A) Division of Work
(B) Unity of Command
(C) Individualism
(D) Equity

198. An organization's 'responsibility' is its obligation to perform assigned duties, whereas its 'accountability' is its:
(A) Right to give orders.
(B) Answerability for the final outcome.
(C) Ability to influence others.
(D) Power to delegate tasks.

199. A 'normative' statement in economics:
(A) Describes what the economy is like.
(B) Is based purely on facts and data.
(C) Is testable and can be proven true or false.
(D) Expresses a value judgment about what ought to be.

200. Match List I with List II regarding decision-making techniques.
List I: (Technique)
P. Brainstorming
Q. Nominal Group Technique
R. Delphi Technique
S. Decision Tree
List II: (Primary Feature)
1. A structured group process with rounds of voting to prioritize ideas.
2. A graphical model of choices and their possible outcomes.
3. Unstructured idea generation in a group without criticism.
4. A survey of experts with feedback rounds to reach a consensus.
(A) P-1, Q-3, R-2, S-4
(B) P-3, Q-1, R-4, S-2
(C) P-4, Q-2, R-1, S-3
(D) P-2, Q-4, R-3, S-1

201. Which of the following represents the correct sequence in the evolution of management thought?
I. Human Relations Approach
II. Classical Approach
III. Systems Approach
IV. Contingency Approach
Select the correct sequence from the options below:
(A) I, II, III, IV
(B) II, I, IV, III
(C) II, I, III, IV
(D) I, III, II, IV

202. The transfer of authority from a superior to a subordinate is known as:
(A) Delegation
(B) Accountability
(C) Responsibility
(D) Centralization

203. Which of the following items is a 'transfer payment' and is excluded from the calculation of National Income?
(A) Salary of a government employee
(B) Profit of a corporation
(C) Rent paid to a landlord
(D) Unemployment benefits paid by the government

204. Consider the following statements:
Statement I: Horizontal communication occurs between individuals at the same hierarchical level.
Statement II: Horizontal communication is often necessary for coordination between departments.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

Click Here to Buy book on Amazon

205. The 'cartel' is a form of collusion most likely to be found in which market structure?
(A) Perfect Competition
(B) Monopoly
(C) Oligopoly
(D) Monopolistic Competition

206. 'Insider trading' is considered an unethical and often illegal practice because:
(A) It involves trading based on publicly available information.
(B) It is a form of corporate philanthropy.
(C) It relates to trading with foreign companies.
(D) It involves trading based on non-public, material information, giving an unfair advantage.

207. Consider the following statements about planning:
I. It is the primary function of management.
II. It helps in reducing uncertainty and risk.
III. It is a rigid and inflexible process.
IV. It involves setting objectives and deciding in advance the appropriate course of action.
V. It is only performed by top-level management.
Which of the above statement(s) is/are correct?
(A) I, II, and IV only
(B) I, III, and V only
(C) II, IV, and V only
(D) I, II, III, and IV only

208. The main difference between 'ethics' and 'law' is that:
(A) Ethics is the minimum standard, while law is the higher standard.
(B) Law is the minimum standard of behavior, while ethics represents a higher standard.
(C) There is no difference; they are synonymous.
(D) Law is voluntary, while ethics is mandatory.

209. If the price elasticity of demand is zero, the demand curve is:
(A) A horizontal straight line.
(B) A vertical straight line.
(C) A rectangular hyperbola.
(D) An upward sloping line.

210. Which management principle advocates that there should be "one head and one plan" for a group of activities having the same objective?
(A) Unity of Direction
(B) Unity of Command
(C) Scalar Chain
(D) Authority and Responsibility

211. Read the following statements and select the correct option:
Assertion (A): The board of directors plays a crucial role in corporate governance.
Reason (R): The board is responsible for overseeing the management of the company and ensuring it operates in the best interests of the stakeholders.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

212. Which of the following is a key skill associated with a manager's 'human' skills?
(A) Ability to create a budget.
(B) Ability to write computer code.
(C) Ability to develop a long-term strategic plan.
(D) Ability to motivate and communicate effectively.

213. The process of analyzing the environment to identify opportunities and threats is known as:
(A) Internal analysis
(B) Performance appraisal
(C) Environmental scanning
(D) Job analysis

214. Consider the following potential barriers to effective communication:
I. Semantic problems (jargon).
II. Premature evaluation by the receiver.
III. A clear and direct channel.
IV. Status differences between sender and receiver.
Which of the above statement(s) is/are correct?
(A) I and III only
(B) II and IV only
(C) I, II, and IV only
(D) I, II, III, and IV

215. The 'informal organization' arises:
(A) From the official organizational chart and formal authority relationships.

NODIA

(B) As a result of a specific management directive.
(C) Only in companies that lack a formal structure.
(D) Spontaneously from the social interactions and personal relationships among employees.

216. In the context of national income, GDP at factor cost is equal to GDP at market price minus:
(A) Net Indirect Taxes (Indirect Taxes - Subsidies)
(B) Depreciation
(C) Subsidies
(D) Net Factor Income from Abroad

217. Match List I with List II regarding business ethics concepts.
List I: (Concept)
P. Utilitarianism
Q. Deontology
R. Virtue Ethics
S. Whistle-blowing
List II: (Core Idea)
1. Focuses on the character and integrity of the moral agent.
2. The act of an employee exposing wrongdoing within an organization.
3. The greatest good for the greatest number.
4. Focuses on duties and rules, regardless of consequences.
(A) P-1, Q-2, R-3, S-4
(B) P-4, Q-3, R-2, S-1
(C) P-3, Q-4, R-1, S-2
(D) P-2, Q-1, R-4, S-3

218. In a 'line organization', authority flows:
(A) Vertically in a direct line from top to bottom.
(B) Horizontally across departments.
(C) In a circle with no clear superior.
(D) Only in an advisory capacity.

219. The "liquidity trap" is a situation, described in Keynesian economics, where:
(A) Monetary policy is highly effective.
(B) Interest rates are extremely low, and monetary policy becomes ineffective.
(C) The economy is at full employment.
(D) There is hyperinflation.

220. The first step in the strategic management process is:
(A) Strategy implementation
(B) Defining the organization's mission and goals
(C) Strategy formulation
(D) Strategy evaluation

221. Which type of authority is based on the specialized knowledge and skills of the staff person?
(A) Line authority
(B) Positional authority
(C) Staff authority
(D) Traditional authority

222. When total utility is at its maximum, marginal utility is:
(A) Also at its maximum.
(B) Negative.
(C) Increasing.
(D) Zero.

NODIA

223. Which of the following is NOT an advantage of decentralization?
(A) Strict and uniform control from the top.
(B) Quick decision making.
(C) Development of managerial talent.
(D) Better motivation for lower-level managers.

224. The 'Open-door policy' is an organizational communication strategy intended to promote:
(A) Downward communication
(B) Upward communication
(C) Grapevine communication
(D) Written communication only

225. A key difference between 'rules' and 'policies' is that:
(A) Rules are guidelines for thinking, while policies are specific actions to be taken.
(B) Rules are specific statements that permit no discretion, while policies are general guidelines for decision-making.
(C) Policies are more rigid than rules.
(D) There is no difference between rules and policies.

226. 'Window dressing' in the context of corporate reporting is an ethical issue related to:
(A) Presenting company accounts in an overly

favorable light to mislead stakeholders.
(B) Improving the physical appearance of the corporate office.
(C) A type of interior decoration for financial firms.
(D) A transparent and honest reporting practice.

227. Read the following statements and select the correct option:
Assertion (A): The coordinating function of management is essential at all levels and in all departments.
Reason (R): Coordination helps in synchronizing diverse individual efforts towards the common goals of the organization.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

228. Which of the following is a characteristic of a "Value Based Organisation"?
(A) Values are used only for public relations purposes.
(B) Decisions are made based on what is convenient rather than what is right.
(C) Employee performance is evaluated solely on financial metrics.
(D) Leadership is committed to and models the stated values.

229. If two goods are perfect substitutes, their indifference curve will be:
(A) A right-angled L-shape.
(B) Convex to the origin.
(C) A straight line with a negative slope.
(D) Concave to the origin.

230. The 'contingency theory of leadership' suggests that the most effective leadership style:
(A) Is always the democratic style.
(B) Depends on the situation, the followers, and the task.
(C) Is always the autocratic style.
(D) Is the one that shows the highest concern for production.

231. Consider the following characteristics of organizational structures:
I. High degree of specialization.
II. Rigid departmentalization.
III. Clear chain of command.
IV. Narrow spans of control.
V. High formalization.
Which of the above statement(s) is/are correct descriptions of a mechanistic organization?
(A) A network organization
(B) A learning organization
(C) A mechanistic or bureaucratic organization
(D) An organic or adaptive organization

232. An ethical leader is expected to do all of the following EXCEPT:
(A) Act as a role model for ethical conduct.
(B) Communicate the importance of ethical standards.
(C) Discipline employees who violate ethical standards.
(D) Use their position for personal gain.

233. The 'kink' in the kinked demand curve model of oligopoly occurs because rival firms are assumed to:
(A) Match price increases but not price decreases.
(B) Match both price increases and price decreases.
(C) Match price decreases but not price increases.
(D) Not react to any price changes by the firm.

234. In the control process, 'management by exception' means that managers should:
(A) Focus their attention on significant deviations from standards.
(B) Control every single activity of their subordinates.
(C) Make exceptions to rules for high-performing employees.
(D) Manage only during exceptional circumstances or crises.

235. The concept of 'span of control' is most closely related to which of the following organizational characteristics?
(A) The degree of centralization.
(B) The type of departmentalization.
(C) The level of formalization.
(D) The number of hierarchical levels (tall vs. flat structure).

Downloaded from www.pdf.tube

236. The 'value-added' method of measuring national income calculates the sum of:
(A) All incomes earned by factors of production.
(B) The value added at each stage of production in the economy.
(C) All expenditures on final goods and services.
(D) The total value of exports minus imports.

237. Which of the following is the best example of a 'programmed decision'?
(A) Deciding whether to merge with another company.
(B) Developing a new product line.
(C) Processing a customer's request for a refund based on a standard company policy.
(D) Deciding on the company's five-year strategic plan.

238. Consider the following statements:
Statement I: Responsibility is the obligation to perform a task, while authority is the power to get it done.
Statement II: For effective delegation, authority granted to a subordinate must be greater than the responsibility assigned.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

239. The 'social' aspect of Corporate Social Responsibility would include which of the following activities?
(A) Ensuring fair labor practices and promoting employee well-being.
(B) Reducing the company's carbon footprint.
(C) Complying with all financial reporting laws.
(D) Maximizing profit for shareholders.

240. Match List I with List II regarding the founders of management theories.
List I: (Theory/Concept)
P. Scientific Management
Q. Administrative Management
R. Bureaucracy
S. Hawthorne Studies
List II: (Proponent/Associated Person)
1. Max Weber
2. Elton Mayo
3. F.W. Taylor
4. Henri Fayol
(A) P-1, Q-2, R-3, S-4
(B) P-3, Q-4, R-1, S-2
(C) P-2, Q-1, R-4, S-3
(D) P-4, Q-3, R-2, S-1

241. "The essence of management is to make knowledge productive," is a famous quote attributed to:
(A) F.W. Taylor
(B) Peter F. Drucker
(C) Henri Fayol
(D) Max Weber

242. In a decision-making context, a 'Payoff Matrix' is a tool that helps in:
(A) Comparing the potential outcomes of different alternatives under various states of nature.
(B) Visualizing the structure of a decision problem.
(C) Generating creative solutions to a problem.
(D) Forecasting future demand based on past data.

243. When demand is price inelastic, a decrease in price will lead to:
(A) An increase in total revenue.
(B) No change in total revenue.
(C) A decrease in total revenue.
(D) An infinite increase in total revenue.

244. A manager in the role of 'liaison', according to Mintzberg, is performing which function?
(A) Processing information and disseminating it within the organization.
(B) Making decisions about resource allocation.
(C) Performing symbolic duties as the head of the organization.
(D) Maintaining a network of outside contacts who provide information and favors.

NODIA

245. The 'Gini Coefficient' is a measure derived from the Lorenz curve that quantifies:
(A) The rate of inflation.
(B) The level of unemployment.
(C) The degree of income or wealth inequality.
(D) The rate of economic growth.

246. Which of the following is a primary advantage of a functional organizational structure?
(A) It is highly adaptable to changing

environments.
(B) It allows for in-depth specialization and efficiency within functions.
(C) It promotes a broad, organizational perspective among employees.
(D) It minimizes conflict between departments.

247. The "invisible hand" concept of Adam Smith is a fundamental argument for:
(A) Government regulation and central planning.
(B) The establishment of monopolies.
(C) The necessity of corporate social responsibility.
(D) The benefits of free markets and self-interested behavior.

248. The most extreme form of inflation, where price increases are so rapid that the concept of value is lost, is called:
(A) Hyperinflation
(B) Creeping inflation
(C) Galloping inflation
(D) Disinflation

249. Consider the following statements about 'Value Based Organisations':
I. Values are considered a source of competitive advantage.
II. The organization's culture is shaped by its core values.
III. They often have higher employee morale and commitment.
IV. Their sole focus is on compliance with legal standards.
V. They separate business strategy from ethical considerations.
Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) II, IV, and V only
(C) I, III, and V only
(D) III, IV, and V only

250. Read the following statements and select the correct option:
Assertion (A): Communication is a one-way process from a sender to a receiver.
Reason (R): For communication to be effective, it must include feedback from the receiver to the sender.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

Direction : Please read the following source carefully.

Management is a multifaceted and universal process integral to the functioning of any organized activity. Conceptually, it is the art and science of achieving organizational objectives through the coordinated efforts of people. This process involves a series of interrelated functions, beginning with planning and extending through organizing, staffing, coordinating, and controlling. The evolution of management thought can be traced through various theories and approaches. The Classical approach, with proponents like Taylor and Fayol, emphasized efficiency and formalized structure. The Human Relations approach, stemming from the Hawthorne studies, shifted focus to the psychological and social aspects of the workplace. Modern approaches, such as the Systems and Contingency theories, view the organization as an open system interacting with its environment and advocate that there is no single best way to manage; the appropriate management style is contingent upon the situation. Managerial roles, as identified by Mintzberg, are categorized into interpersonal (figurehead, leader), informational (monitor, disseminator), and decisional (entrepreneur, negotiator) roles. To effectively perform these roles, managers must possess a blend of technical skills (job-specific knowledge), human skills (ability to work with people), and conceptual skills (ability to think abstractly and strategically), with the relative importance of these skills varying by managerial level.

Based on the above source, attempt the following five questions.

251. According to the passage, which management approach suggests that the effectiveness of a management style depends on the specific context and circumstances?
(A) The Classical approach
(B) The Contingency theory
(C) The Human Relations approach
(D) The Systems approach

Click Here to Buy book on Amazon

252. Which of the following sets of managerial roles, as described by Mintzberg, falls under the 'interpersonal' category?
(A) Figurehead, Leader, Liaison
(B) Monitor, Disseminator, Spokesperson
(C) Entrepreneur, Disturbance Handler, Negotiator
(D) Figurehead, Leader, Disseminator

253. The passage implies that the relative importance of managerial skills changes with the level of management. Which skill would be most crucial for a top-level executive responsible for long-term strategy?
(A) Technical skills
(B) Human skills
(C) Conceptual skills
(D) Informational skills

254. Based on the source, what is the primary distinction between the Classical approach and the Human Relations approach to management?
(A) The Classical approach focuses on environmental interaction, while the Human Relations approach focuses on internal processes.
(B) The Classical approach is concerned with decisional roles, while the Human Relations approach is concerned with interpersonal roles.
(C) The Classical approach views management as a science, whereas the Human Relations approach views it purely as an art.
(D) The Classical approach emphasizes formal structure and efficiency, whereas the Human Relations approach prioritizes social and psychological factors.

255. What can be inferred about the management process as described in the paragraph?
(A) It is a linear sequence of independent activities.
(B) It is primarily concerned with controlling employee behavior.
(C) It is a dynamic and cyclical series of interconnected functions.
(D) It is a modern concept that emerged with the Systems theory.

Direction : Please read the following source carefully.

The functions of management represent a systematic framework for achieving organizational goals. These core functions are universally recognized as planning, organizing, staffing, coordinating, and controlling. Planning is the primary function, involving the determination of objectives and the formulation of strategies and action plans to achieve them. It is a future-oriented and intellectual process that bridges the gap between where an organization is and where it wants to be. Following planning is organizing, which involves structuring resources and activities. This includes creating an organizational structure, defining roles and responsibilities, and establishing authority-responsibility relationships to execute the plan. Staffing, or human resource management, focuses on acquiring, developing, and maintaining a competent workforce. It encompasses activities like recruitment, selection, training, and performance appraisal. Coordinating is the function of synchronizing and integrating the diverse efforts of various departments and individuals towards the common goals. It ensures harmony and prevents conflict or duplication of work. Finally, controlling is the process of monitoring performance, comparing it against pre-set standards identified during planning, and taking corrective actions to ensure that events conform to plans. This function completes the management cycle by providing feedback for future planning, thus highlighting the interdependent and continuous nature of these functions.
Based on the above source, attempt the following five questions.

NODIA

256. According to the passage, which management function serves as the bridge between an organization's current state and its desired future state?
(A) Controlling
(B) Planning
(C) Organizing
(D) Staffing

257. The function of creating a formal structure of roles and establishing authority-responsibility relationships is described as:
(A) Planning
(B) Coordinating
(C) Controlling

(D) Organizing

258. Based on the source, what is the principal role of the controlling function in the management cycle?
(A) To measure performance against standards and initiate corrective actions.
(B) To recruit and train a competent workforce for the organization.
(C) To ensure harmony and integrate the efforts of different departments.
(D) To formulate long-term strategies and action plans.

259. The passage suggests that the management functions are interdependent. The controlling function is most directly linked back to which other function?
(A) Staffing, because it evaluates employee performance.
(B) Organizing, because it reveals structural deficiencies.
(C) Planning, because it provides feedback for setting future objectives.
(D) Coordinating, because it highlights areas of disharmony.

260. What can be inferred about the function of coordinating?
(A) It is essential for unifying individual and departmental efforts towards a common purpose.
(B) It is a subset of the organizing function.
(C) It is solely concerned with preventing the duplication of work.
(D) It is the final step in the management process.

Direction : Please read the following source carefully.

Communication is the lifeblood of an organization, a critical process that facilitates the exchange of information and meaning between individuals and groups. The process of communication involves several key elements: a sender who originates a message, encoding the message into a symbolic form, a channel through which the message is transmitted, a receiver who interprets the message through decoding, and feedback, which is the receiver's response. This process is susceptible to various barriers that can distort the message and lead to misunderstanding. These barriers can be broadly categorized. Semantic barriers arise from issues with language and symbols, such as poorly expressed messages or faulty translations. Psychological barriers stem from the emotional or psychological state of the sender or receiver, including premature evaluation, lack of attention, or distrust. Organizational barriers are related to factors within the organization's structure, such as a complex hierarchy with too many levels, restrictive rules and regulations, or status differences that inhibit the free flow of information. Communication can be classified by its direction and formality. Formal communication follows the official chain of command, while informal communication, like the 'grapevine', arises from social interactions. It can also be verbal (oral or written) or non-verbal (body language, gestures).
Based on the above source, attempt the following five questions.

261. A manager using ambiguous jargon in a memo, which employees fail to understand, is an example of what type of communication barrier?
(A) Psychological barrier
(B) Organizational barrier
(C) Channel barrier
(D) Semantic barrier

262. In the communication process model described, what is the role of 'decoding'?
(A) The sender's conversion of an idea into a message.
(B) The receiver's interpretation of the sender's message.
(C) The transmission of the message through a medium.
(D) The receiver's response back to the sender.

263. According to the passage, what is a key characteristic of 'formal communication'?
(A) It arises from social interactions among employees.
(B) It is typically transmitted through the 'grapevine'.
(C) It adheres to the established chain of command in an organization.
(D) It is exclusively non-verbal in nature.

Downloaded from www.pdf.tube

264. The passage describes a situation where an employee is too anxious about a deadline to fully listen to a manager's instructions. This would be an instance of a:
(A) Semantic barrier
(B) Organizational barrier
(C) Feedback barrier
(D) Psychological barrier

265. What can be inferred about the 'grapevine' based on the information provided?
(A) It is an example of informal communication arising from social relationships.
(B) It is a type of formal communication.
(C) It is an organizational barrier that strictly hinders communication.
(D) It is the channel used for transmitting official policies.

Direction : Please read the following source carefully.

Decision-making is a core managerial function, defined as the cognitive process of selecting a course of action from among several alternatives. This process is not a singular event but a sequence of activities. The rational decision-making process typically begins with the clear identification and definition of a problem or opportunity. Following this, the decision-maker must establish criteria for evaluating potential solutions. The next step involves generating a comprehensive list of possible alternatives. Each alternative is then systematically evaluated against the pre-determined criteria. Subsequently, the best alternative—the one that optimally satisfies the criteria—is selected. The process culminates in the implementation of the chosen alternative, followed by a final stage of evaluating the decision's outcomes to assess its effectiveness and make adjustments if necessary. To aid in this process, managers can employ various techniques and tools. For structured problems where variables are known, quantitative tools like linear programming or decision trees are effective. For unstructured or complex problems, qualitative techniques such as brainstorming, the Delphi technique (a group consensus method using anonymous expert feedback), and nominal group technique are often used to foster creativity and generate diverse solutions. The choice of technique depends heavily on the nature of the problem, the availability of information, and the time constraints.

Based on the above source, attempt the following five questions.

266. According to the rational decision-making process described, what is the immediate step after identifying and defining a problem?
(A) Generating a list of possible alternatives.
(B) Establishing criteria for evaluation.
(C) Evaluating the generated alternatives.
(D) Implementing the chosen course of action.

267. Which decision-making technique involves soliciting anonymous feedback from a panel of experts to reach a group consensus?
(A) Brainstorming
(B) Delphi technique
(C) Nominal group technique
(D) Decision tree analysis

268. The passage suggests that quantitative tools like linear programming are most suitable for which type of situation?
(A) Structured problems where relevant variables can be quantified.
(B) Unstructured problems with high uncertainty.
(C) Problems requiring creative and innovative solutions.
(D) Situations where group consensus is the primary goal.

NODIA

269. What is the final stage of the decision-making process as outlined in the paragraph?
(A) Selecting the best alternative.
(B) Implementing the chosen decision.
(C) Evaluating the outcomes of the decision.
(D) Generating a comprehensive list of alternatives.

270. What can be inferred from the passage about the decision-making process?
(A) It is a quick, intuitive action rather than a systematic process.
(B) It concludes immediately after a choice is made.
(C) The same technique is applicable to all types of managerial problems.
(D) It is a cyclical process that includes a feedback loop for evaluation.

Direction : Please read the following source carefully.

Organisation structure and design refer to the formal arrangement of roles, power, and responsibilities within an organization. This framework dictates how job tasks are formally divided, grouped, and coordinated. Key elements in structural design include authority, responsibility, span of control, and the degree of centralisation or decentralisation. Authority is the right inherent in a managerial position to give orders and expect them to be obeyed, flowing downwards through the hierarchy. Responsibility is the obligation to perform assigned duties. A fundamental principle is that authority should be commensurate with responsibility. Span of control refers to the number of subordinates a manager can efficiently and effectively direct; a wider span results in a flatter organization, while a narrow span creates a taller, more hierarchical structure. The choice between centralisation and decentralisation is a critical design decision. Centralisation is the degree to which decision-making is concentrated at a single point, typically at the top of the organization. In contrast, decentralisation involves pushing down decision-making authority to lower-level managers. Common types of organisational design include the functional structure, which groups jobs by functions performed, the divisional structure, which groups jobs around products or geographic regions, and the matrix structure, which combines both.

Based on the above source, attempt the following five questions.

271. What is the concept that refers to the number of employees a manager can effectively supervise?
(A) Centralisation
(B) Authority
(C) Span of control
(D) Responsibility

272. According to the passage, what is the primary characteristic of a centralised organisation?
(A) Decision-making authority is distributed among lower-level managers.
(B) Decision-making power is concentrated at the top of the hierarchy.
(C) It typically has a very wide span of control.
(D) It combines functional and divisional chains of command.

273. The passage states that "authority should be commensurate with responsibility." What does this principle imply?
(A) A manager should have more responsibility than authority.
(B) Authority flows upwards, while responsibility flows downwards.
(C) Responsibility can be delegated, but authority cannot.
(D) A manager with the obligation to perform a duty should also have the right to command the resources needed to do it.

274. An organization that groups its employees into separate units for consumer electronics, home appliances, and industrial products is using which type of structure?
(A) Divisional structure
(B) Functional structure
(C) Matrix structure
(D) Centralised structure

275. A company decides to empower its regional heads to make key marketing and operational decisions independently. This move is a shift towards:
(A) Increased centralisation
(B) A narrower span of control
(C) Greater decentralisation
(D) A more rigid functional structure

Direction : Please read the following source carefully.

Managerial economics serves as a crucial bridge between abstract economic theory and the pragmatic world of business decision-making. It is conceptually defined as the application of economic principles, theories, and quantitative methods to solve managerial problems and facilitate rational decision-making within a firm. Its importance lies in its ability to provide a logical and systematic framework for analyzing business challenges related to resource allocation, risk, and uncertainty. By employing microeconomic concepts such as demand, cost, production, and market structure, managers can make more informed choices regarding pricing strategies, production levels, and investment projects. For instance, understanding the price elasticity of

Click Here to Buy book on Amazon

demand helps a firm to predict the impact of a price change on its total revenue. Similarly, cost analysis aids in determining the optimal level of output to maximize profit. Managerial economics is fundamentally prescriptive rather than descriptive; it focuses on prescribing solutions and strategies to achieve specific organizational objectives, most commonly profit maximization. It equips managers with the tools to forecast future economic trends, analyze the competitive landscape, and formulate policies that align the firm's operations with its strategic goals, thereby enhancing overall efficiency and profitability in a complex business environment.

Based on the above source, attempt the following five questions.

276. What is the primary conceptual role of managerial economics as described in the passage?
(A) To apply economic theory to practical business decision-making.
(B) To describe the overall functioning of the national economy.
(C) To develop new, abstract economic principles.
(D) To regulate market structures and ensure fair competition.

277. The passage describes managerial economics as being "prescriptive rather than descriptive." What does this imply?
(A) It primarily focuses on reporting historical economic data.
(B) It is mainly concerned with describing how markets work in theory.
(C) It details the problems faced by managers without offering solutions.
(D) It aims to recommend specific courses of action to achieve business goals.

278. According to the text, how does understanding the concept of price elasticity of demand benefit a firm?
(A) It helps in measuring the national income accurately.
(B) It allows the firm to forecast the impact of price changes on its revenue.
(C) It determines the optimal number of employees to hire.
(D) It assists in analyzing the overall inflation rate.

279. Which of the following is NOT mentioned in the passage as an area where managerial economics provides a framework for analysis?
(A) Resource allocation
(B) Pricing strategies
(C) Corporate social responsibility
(D) Production levels

280. Based on the source, what is the ultimate purpose of applying managerial economics in a firm?
(A) To ensure perfect compliance with government regulations.
(B) To foster a positive organizational culture.
(C) To eliminate all business risks and uncertainties completely.
(D) To enhance efficiency and profitability by facilitating rational decisions.

Direction : Please read the following source carefully.

Demand analysis is a cornerstone of managerial economics, providing critical insights into consumer behavior and market dynamics. It involves a set of tools and techniques used to understand and predict consumer demand for a product or service. A foundational concept is Utility Analysis, which posits that consumers seek to maximize their satisfaction or 'utility'. This can be viewed through a cardinal approach (assuming utility is measurable) or an ordinal approach. The latter gives rise to the Indifference Curve, a graphical representation of various combinations of two goods that provide a consumer with the same level of satisfaction. The properties of indifference curves—such as being downward sloping and convex to the origin—help explain consumer preferences and substitution effects. Another vital tool is the concept of Elasticity, which measures the responsiveness of one variable to a change in another. Price elasticity of demand, for example, quantifies how much the quantity demanded changes in response to a price change, and is crucial for setting prices. Finally, Demand Forecasting is the process of estimating future demand for a product. This predictive element is essential for production planning, inventory control, and strategic investment, allowing firms to prepare for future market conditions rather

Downloaded from www.pdf.tube

than merely reacting to them.

Based on the above source, attempt the following five questions.

281. What does an Indifference Curve represent in demand analysis?
(A) Combinations of two goods that yield the same level of satisfaction to a consumer.
(B) The relationship between the price of a good and the quantity demanded.
(C) The total utility a consumer derives from consuming a single good.
(D) The responsiveness of demand to a change in consumer income.

282. The passage states that the ordinal approach to utility analysis gave rise to which analytical tool?
(A) Elasticity measurement
(B) The Indifference Curve
(C) Demand Forecasting
(D) Cardinal Utility Analysis

283. A company wants to understand how a 10% increase in the price of its product will affect the quantity sold. Which concept from demand analysis would be most directly applicable?
(A) Utility Analysis
(B) Elasticity
(C) The Indifference Curve
(D) Demand Forecasting

284. According to the passage, what is the primary purpose of Demand Forecasting?
(A) To estimate future demand for planning and strategic purposes.
(B) To measure the satisfaction a consumer gets from a product.
(C) To graphically represent consumer preferences between two goods.
(D) To analyze the historical relationship between price and quantity.

285. The convexity of an indifference curve to the origin implies which of the following about consumer behavior?
(A) The consumer prefers more of both goods to less.
(B) The consumer's satisfaction is directly measurable in units.
(C) The consumer is willing to give up less and less of one good to get more of another.
(D) The consumer is completely unresponsive to price changes.

Direction : Please read the following source carefully.

The structure of a market significantly influences a firm's behavior, particularly its pricing and output decisions. Market structures are typically classified based on criteria such as the number of firms in the market, the degree of product differentiation, and the ease of entry for new firms. At one end of the spectrum is perfect competition, characterized by a large number of firms, a homogeneous product, and complete freedom of entry and exit. In this structure, individual firms are price takers and have no control over the market price. At the opposite end is monopoly, where a single firm dominates the market with a unique product and high barriers to entry, granting it considerable power to set prices. Between these two extremes lie monopolistic competition and oligopoly. Monopolistic competition involves many firms selling differentiated products, which allows for some degree of price control through branding and marketing. Oligopoly is characterized by a few large firms whose decisions are interdependent; the actions of one firm directly impact the others, leading to strategic behavior in pricing and output, often analyzed using game theory. Price determination varies across these structures. In perfect competition, price is determined by market supply and demand. In a monopoly, the firm sets a price to maximize its profit, whereas in an oligopoly, prices may be rigid or determined through collusion or price leadership.

Based on the above source, attempt the following five questions.

286. In which market structure do individual firms have no control over the market price and act as 'price takers'?
(A) Monopoly
(B) Oligopoly
(C) Monopolistic competition
(D) Perfect competition

287. What is the key feature that distinguishes monopolistic competition from perfect competition?
(A) The number of firms in the market.

NODIA

(B) The ease of entry and exit for firms.
(C) The presence of product differentiation.
(D) The determination of price by market supply and demand.

288. The passage suggests that strategic, interdependent behavior among firms is a hallmark of which market structure?
(A) Monopoly
(B) Oligopoly
(C) Monopolistic competition
(D) Perfect competition

289. A market dominated by a single seller of a product with no close substitutes is known as:
(A) An oligopoly
(B) A duopoly
(C) A monopolistically competitive market
(D) A monopoly

290. Based on the passage, how is price typically determined in a perfectly competitive market?
(A) By the intersection of overall market supply and demand.
(B) By the single dominant firm to maximize its profit.
(C) Through strategic collusion among the few large firms.
(D) By individual firms through branding and advertising.

Direction : Please read the following source carefully.

Understanding key macroeconomic indicators is essential for businesses to navigate the broader economic environment. National Income and Inflation are two such vital concepts. National Income represents the total monetary value of all final goods and services produced in an economy during a specific period. It is a measure of the economic health and growth of a nation. Common types or measures include Gross Domestic Product (GDP), which is the value of production within a country's borders, and Gross National Product (GNP), which includes income earned by residents from overseas. There are three primary methods for its measurement: the product (or output) method, which sums the value added at each stage of production; the income method, which sums all incomes earned by factors of production; and the expenditure method, which sums total spending on final goods and services. Inflation, another critical concept, refers to the sustained increase in the general price level of goods and services in an economy over time, leading to a fall in the purchasing power of currency. It is commonly classified by its cause. Demand-pull inflation occurs when aggregate demand outstrips aggregate supply, while cost-push inflation is caused by an increase in the costs of production, such as wages or raw materials. High and volatile inflation can create uncertainty, distort pricing, and negatively impact business planning and investment.

Based on the above source, attempt the following five questions.

291. What is the primary distinction between Gross Domestic Product (GDP) and Gross National Product (GNP)?
(A) GDP measures income, while GNP measures expenditure.
(B) GDP is a measure of inflation, while GNP is a measure of national income.
(C) GDP considers production within a country's borders, whereas GNP includes income from abroad earned by residents.
(D) GDP is calculated using the product method, while GNP is calculated using the income method.

292. An increase in the general price level caused by a sharp rise in the cost of raw materials is an example of which type of inflation?
(A) Cost-push inflation
(B) Demand-pull inflation
(C) Hyperinflation
(D) Stagflation

293. Summing up all the wages, rents, interest, and profits in an economy is characteristic of which method of measuring national income?
(A) The expenditure method
(B) The product method
(C) The value-added method
(D) The income method

294. According to the passage, what is the definition of inflation?
(A) A one-time increase in the price of a single commodity.
(B) A sustained increase in the general price

Click Here to Buy book on Amazon

level, reducing purchasing power.
(C) A decrease in the total output of an economy.
(D) The total monetary value of all final goods and services.

295. When total spending in an economy grows faster than the economy's productive capacity, what type of inflation is likely to occur?
(A) Cost-push inflation
(B) Structural inflation
(C) Demand-pull inflation
(D) Supply-side inflation

Direction : Please read the following source carefully.

The modern business landscape increasingly emphasizes ethical conduct and social responsibility. Business ethics refers to the moral principles and standards that guide behavior in the world of commerce. It involves applying ethical values to business policies, institutions, and behavior. While ethics focuses on moral right and wrong, Corporate Social Responsibility (CSR) is a broader concept representing an organization's commitment to operate in an economically, socially, and environmentally sustainable manner, balancing the interests of diverse stakeholders. Ethical issues often arise in business, creating ethical dilemmas where a decision-maker must choose between two or more conflicting moral obligations. To navigate these complexities, robust Corporate Governance is essential. Corporate governance is the system of rules, practices, and processes by which a firm is directed and controlled. Its primary objective is to ensure accountability, fairness, and transparency in a company's relationship with its stakeholders (including shareholders, management, customers, and the community). A strong governance framework helps prevent ethical lapses and corporate misconduct. Ultimately, these principles can culminate in the creation of a Value Based Organisation. Such an organization is one where a set of explicitly stated core values forms the foundation for its culture, strategy, and daily operations, guiding decisions at all levels and aligning the entire workforce towards a shared ethical purpose.

Based on the above source, attempt the following five questions.

296. According to the passage, what is the primary function of Corporate Governance?
(A) To maximize short-term shareholder profit exclusively.
(B) To manage the day-to-day marketing activities of the firm.
(C) To focus solely on the company's environmental impact.
(D) To provide a system of rules and processes for directing and controlling the firm to ensure accountability and transparency.

297. How does the passage distinguish between Business Ethics and Corporate Social Responsibility (CSR)?
(A) Ethics pertains to individual moral principles, whereas CSR is the organization's broader commitment to societal and environmental well-being.
(B) Ethics is about legal compliance, while CSR is about philanthropic activities.
(C) There is no difference; the terms are used interchangeably.
(D) Ethics is voluntary, while CSR is legally mandated in all countries.

298. A manager must decide between laying off employees to cut costs and save the company, or retaining them and risking the company's financial stability. This situation is a clear example of an:
(A) Act of Corporate Social Responsibility
(B) Ethical dilemma
(C) Example of a Value Based Organisation
(D) Issue of Corporate Governance

299. What is the defining characteristic of a Value Based Organisation as described in the source?
(A) Its primary goal is to achieve the highest possible market share.
(B) Its culture and strategy are fundamentally guided by a set of explicit core values.
(C) It is controlled exclusively by government regulations.
(D) It focuses on stakeholder interests only when legally required.

300. Based on the source, what is the relationship between Corporate Governance and Business Ethics?
(A) Strong corporate governance can help in

NODIA

upholding business ethics and preventing misconduct.

(B) They are unrelated concepts.

(C) Business ethics is a part of corporate governance focused only on financial reporting.

(D) Corporate governance is a subset of business ethics.

www.nodia.in

Downloaded from www.pdf.tube

ANSWERS

1. (B) The process of achieving organizational goals through planning, organizing, leading, and controlling resources.
Management involves a systematic approach to coordinating human and material assets to attain specific objectives. This discipline requires fundamental functions like planning for the future and organizing resources effectively. Furthermore, it encompasses leading teams through motivation and controlling performance to ensure alignment with targets. It is essentially an integrated process that transforms various inputs into desired outputs through purposeful and structured managerial activities.

2. (C) Statement I is true, but Statement II is false.
Management functions are performed simultaneously and cyclically throughout the life of an organization, making it an ongoing endeavor. These functions are highly interrelated and overlapping rather than being isolated or separate tasks. While planning and controlling are distinct activities, they depend heavily on each other for organizational success. Therefore, the managerial process constitutes a continuous stream of interconnected actions aimed at achieving excellence.

3. (C) Henri Fayol
Administrative management theory focuses on the formal structure of an organization and the universal principles of management. The pioneer of this school of thought identified fourteen key principles, such as unity of command and division of work. His work emphasized the perspective of top-level management in organizing complex business operations. This approach provides a comprehensive framework for managing broad organizational systems and functions effectively.

4. (D) Conceptual Skill
Effective leadership at top levels requires the mental capacity to visualize the organization in its entirety and understand complex environmental relationships. This cognitive ability allows managers to identify how various functional departments interact and influence the success of the whole system. Such skills are vital for strategic planning and long-term problem solving. They enable a holistic view that transcends specific departmental or technical boundaries.

5. (C) It is primarily a backward-looking function.
Planning is inherently futuristic because it involves setting goals and choosing future courses of action to achieve them. It serves as a primary and pervasive function that bridges the gap between where an entity currently stands and where it intends to be. Unlike controlling, which looks back to evaluate past performance, planning focuses on upcoming opportunities and potential challenges. It requires anticipation and preparation.

NODIA

6. (A) Both A and R are true and R is the correct explanation of A.
A flat organizational structure is defined by a broad span of control, meaning each manager oversees a large number of employees. Because fewer managerial layers are needed to supervise the workforce, the hierarchy becomes less vertical and more horizontal. This design facilitates faster communication and increased employee empowerment. The direct relationship between the number of subordinates per manager and the hierarchical depth confirms this structural link.

7. (D) Middle-level manager
Managers at the intermediate level of the hierarchy act as a crucial link between senior leadership and operational staff. Their primary duty involves interpreting high-level strategies and translating them into actionable plans for specific departments. They are responsible for implementing corporate policies while supervising lower-level managers to ensure operational efficiency. This role requires balancing strategic directives from the top with the practical realities of daily execution.

8. (A) Organizing
The organizing function involves establishing a formal structure of authority and task distribution within an entity. It requires breaking

down the total workload into specific jobs to ensure that resources are utilized efficiently and goals are met. By assigning these manageable tasks to appropriate individuals, management creates a framework for coordination. This structural process is essential for clarifying roles and establishing responsibility throughout the enterprise.

9. (A) P-3, Q-2, R-1, S-1
Managerial roles are categorized into interpersonal, informational, and decisional groups to describe what managers actually do. Interpersonal roles include being a symbolic figurehead, while informational roles involve disseminating vital data to others. Decisional roles encompass entrepreneurship and negotiation, where the manager makes critical choices and allocates resources. Understanding these distinctions helps clarify the diverse expectations placed on individuals in leadership positions within any complex organization.

10. (A) Bureaucratic Management Theory
Bureaucracy emphasizes a formal system of organization based on hierarchy, fixed rules, and impersonal relationships to ensure maximum efficiency. This theory promotes the use of written records and specialized training to maintain consistency in operations. By clearly defining authority and responsibility, it aims to eliminate favoritism and irrationality in the workplace. This rational-legal approach provides a stable structure for managing large and complex organizational systems.

11. (D) Open system
Organizations that function as open systems are characterized by constant interaction with their external environment through the exchange of information, energy, and materials. These systems receive various inputs, such as labor and capital, transform them through internal processes, and export outputs back to the society. This dynamic interaction is essential for organizational survival and growth. It allows the entity to adapt to changing market conditions.

12. (C) I, III, and IV only
Effective control mechanisms must be flexible enough to accommodate changes in the business environment and objective to ensure fairness in evaluation. These systems are forward-looking because they provide feedback that helps in planning future activities and preventing recurrences of past errors. Ideally, controls should be economical rather than overly costly or complex to maintain. Such systems focus on significant deviations and facilitate timely corrective actions to achieve targets.

13. (C) Informal communication
The grapevine represents a spontaneous network of interpersonal communication that exists alongside formal organizational channels. It facilitates the rapid spread of information through social interactions among employees, often cutting across hierarchical levels. While it can carry rumors, it also serves as a vital tool for social bonding and gathering feedback. This informal flow is natural and inevitable in any workplace where human beings interact regularly.

14. (D) Encoding
Communication begins when a sender converts an idea or thought into a symbolic form, such as words, gestures, or visual images. This crucial step ensures that the message is in a format that can be transmitted through a chosen channel to the receiver. The success of the communication process depends heavily on how effectively these thoughts are transformed into meaningful and understandable symbols. It precedes transmission.

15. (A) Diagnosis of the situation
The initial phase of decision-making involves identifying the root cause of a problem or recognizing an opportunity for improvement. This diagnostic step requires gathering relevant information and analyzing the current state to define the scope of the issue. Without a clear understanding of the situation, subsequent steps like generating alternatives may lead to ineffective outcomes. Accuracy in this phase is fundamental to finding the right solution.

16. (B) Non-programmed decision
Decisions that address unique, complex, and unstructured problems are typically handled through custom-made solutions rather than standard procedures. These situations are often significant and have long-term consequences,

Click Here to Buy book on Amazon

requiring judgment, intuition, and creativity from management. Unlike routine tasks that follow established rules, these choices are made in response to novel challenges or opportunities. They are common at top management levels where strategic and non-repetitive issues arise.

17. (B) A manager using technical jargon with a non-technical employee who cannot understand it.
Semantic barriers occur when the sender and receiver interpret symbols or words differently, leading to misunderstandings. Using specialized terminology or complex language with individuals who are unfamiliar with those terms creates a gap in comprehension. This distortion hinders the effective transfer of meaning, as the intended message is lost in translation. Such barriers are often related to differences in education, background, or professional vocabulary.

18. (A) Authority
In a formal organization, managers are granted the legitimate right to direct the activities of subordinates and make binding decisions. This power is essential for coordinating efforts and ensuring that organizational tasks are completed effectively. While it flows from the position held, it must be balanced with responsibility to maintain organizational integrity. It provides the legal and structural basis for exercising leadership and achieving desired outcomes.

19. (C) A narrow span of control and many hierarchical levels
A tall organizational structure is characterized by a high number of management layers and relatively few subordinates reporting to each manager. This narrow span of control allows for close supervision but often results in slower communication and increased administrative costs. The vertical nature of such a hierarchy necessitates a long chain of command from the top to the bottom. It often leads to increased bureaucracy.

20. (D) Job Analysis
Systematic examination of a job involves identifying its duties, responsibilities, and the qualifications required for successful performance. This process provides the foundational data needed to create accurate job descriptions and person specifications. It is a critical component of human resource management, assisting in recruitment, selection, and performance appraisal. By understanding the nature of each role, the organization can ensure better person-job fit and operational efficiency.

21. (B) III, II, I, IV
The organizing process begins with identifying the total workload and dividing it into specific, manageable tasks. Once work is divided, related activities are grouped into departments through the process of departmentalization. Subsequently, specific duties are assigned to individuals based on their skills and competencies. The final step involves establishing reporting relationships to define who reports to whom. This sequence ensures a logical and structured approach.

NODIA

22. (A) Both Statement I and Statement II are true.
Centralization involves the concentration of decision-making authority at the highest levels of management, whereas decentralization distributes this power across various levels. In a centralized system, top management maintains tight control, while decentralization empowers lower-level managers to handle operational issues. Both concepts represent opposite ends of the authority spectrum. The appropriate balance between these two depends on the organization's size, environment, and strategic needs for effective operations.

23. (D) Group decision making and forecasting
The Delphi technique is a structured communication method that relies on a panel of experts to reach a consensus on complex issues. It involves multiple rounds of anonymous questionnaires where participants provide feedback based on the group's previous responses. This process minimizes the influence of dominant individuals and allows for objective analysis. It is widely used for long-range forecasting and identifying future trends in various industries.

24. (C) A true but R is false.
Coordination is considered the essence of management because it synchronizes all functional activities to achieve organizational unity. While it is vital for success, it is not a standalone function like planning or staffing; rather, it is a thread that runs through all of them. Effective coordination ensures that different

departments work harmoniously towards common goals. It is the binding force that integrates diverse efforts into a cohesive whole.

25. (C) Functional structure
A functional structure organizes an entity by grouping employees according to their specialized skills or the tasks they perform. This arrangement allows for high levels of operational efficiency as specialists can focus on their specific domains. It facilitates career progression within functions and ensures that expertise is utilized effectively throughout the organization. However, it can sometimes lead to silos where departments prioritize their own goals over the company's mission.

26. (A) Linear programming
Decision-making under uncertainty involves situations where the probabilities of different outcomes are unknown. Common principles for such scenarios include the maximin, maximax, and Laplace principles, which guide choices based on different levels of optimism or pessimism. Linear programming is a mathematical optimization technique used when variables are known and constraints are clear. It is primarily a tool for resource allocation under conditions of certainty or known risk levels.

27. (C) I, II, III, and V only
Staffing is a continuous management function that involves planning for human resource needs and acquiring talent through recruitment and selection. It also encompasses the training, development, and placement of employees to ensure they contribute effectively to organizational goals. This process is not a one-time activity but an ongoing effort to maintain a competent workforce. The ultimate aim is to place the right person in the right job.

28. (B) The application of economic theory and methods to business decision-making.
Managerial economics bridges the gap between theoretical economic concepts and the practical problems faced by business firms. It utilizes microeconomic and macroeconomic tools to assist managers in formulating logical plans and making informed decisions. By applying these methods, organizations can optimize resource allocation and improve their competitive position in the market. It provides a scientific basis for solving business problems and enhancing overall operational performance.

29. (C) To provide a framework for analyzing business decisions.
Studying managerial economics is essential because it offers a logical structure for evaluating various business alternatives and their potential outcomes. It equips managers with analytical tools to understand demand, cost, and market dynamics, which are critical for effective strategy formulation. This discipline helps in identifying the most efficient ways to achieve organizational goals while managing constraints. It serves as a vital foundation for sound managerial judgment.

30. (A) P-4, Q-3, R-1, S-2
Utility analysis traditionally assumes that satisfaction can be measured in cardinal numbers, while indifference curves represent combinations of goods providing equal satisfaction. Price elasticity measures how the quantity demanded reacts to price changes, and demand forecasting predicts future market needs. These concepts are fundamental to understanding consumer behavior and market dynamics in economic theory. They provide the basis for pricing strategies and production planning in various business contexts.

NODIA

31. (A) The satisfaction derived from each additional unit of a good consumed decreases.
As a consumer consumes more units of a specific commodity, the utility gained from each successive unit tends to decline. This economic principle explains why consumers seek variety and how they allocate their limited income across different goods. While total utility may continue to rise for a period, the rate of increase slows down. It is a fundamental concept in understanding demand and consumer choice behavior.

32. (B) Convex to the origin.
An indifference curve is typically convex to the origin because of the diminishing marginal rate of substitution between two products. This means that as a consumer gains more of one good, they are willing to give up less of another good to maintain the same level of satisfaction. This shape reflects the realistic trade-offs consumers

make. It illustrates the balanced preferences individuals have for different combinations of goods.

33. (B) An indifference curve has a positive slope.
Indifference curves are characterized by a negative slope, meaning they move downward from left to right. This reflects the trade-off where a consumer must give up some of one good to obtain more of another while staying equally satisfied. Curves that are higher and further to the right represent greater levels of total utility. Additionally, these curves can never cross each other due to the principle of transitivity.

34. (A) Elastic
Demand is considered elastic when the percentage change in quantity demanded is greater than the percentage change in price. This indicates that consumers are highly responsive to price movements, often switching to substitutes when prices rise. For such products, a small decrease in price can lead to a significant increase in total sales volume. Elasticity is influenced by factors like the availability of substitutes and the necessity of the good.

35. (C) Upward sloping
Giffen goods are a rare type of inferior good for which demand increases as the price rises, defying the standard law of demand. This occurs because the income effect of a price increase outweighs the substitution effect, leading consumers to buy more of the essential good as their purchasing power drops. Consequently, the demand curve for such goods slopes upward. This phenomenon typically occurs with basic necessities in low-income situations.

36. (D) Break-even analysis
Demand forecasting utilizes various techniques such as buyer surveys, expert opinions, and trend projections to estimate future market requirements. These methods help firms plan production and manage inventory levels effectively based on anticipated sales. Break-even analysis, however, is a financial tool used to determine the point at which total revenue equals total costs. It focuses on profitability and cost structures rather than predicting consumer demand for a product.

37. (C) Monopolistic Competition
Monopolistic competition is characterized by many sellers offering products that are close substitutes but differentiated through branding or features. Firms in this market have some control over pricing due to brand loyalty and product uniqueness. Entry and exit are relatively easy, which ensures that firms can only earn normal profits in the long run. This structure combines elements of both perfect competition and monopoly, emphasizing non-price competition.

38. (B) A single seller
A monopoly exists when a single firm is the sole provider of a product or service for which there are no close substitutes. This market structure is characterized by significant barriers to entry that prevent competitors from entering the industry. As the only supplier, the monopolist has considerable power to set prices and control the total market supply. This lack of competition often leads to higher prices and reduced output.

39. (D) Price discrimination
Price discrimination involves selling the same product at different prices to various customers based on their willingness or ability to pay. To be successful, the seller must have some market power and be able to prevent the resale of the product between buyers. This strategy aims to capture consumer surplus and maximize total revenue for the firm. It is commonly observed in industries like airlines, pharmaceuticals, and utilities.

40. (A) Oligopoly
The kinked demand curve model explains price rigidity in oligopolistic markets where firms are mutually interdependent. It suggests that if a firm raises its price, rivals will not follow, but if it lowers its price, rivals will match the decrease to protect their market share. This behavior creates a “kink” in the demand curve at the prevailing price level. As a result, firms tend to avoid frequent price changes.

41. (C) I, II, and IV only
Perfect competition requires a large number of buyers and sellers, ensuring that no single participant can influence the market price. The products offered are homogeneous, meaning they are identical in every respect from the

Downloaded from www.pdf.tube

consumer's perspective. Furthermore, firms can enter or exit the industry freely without facing significant barriers. In this environment, all participants have perfect information, and prices are determined solely by the forces of market supply and demand.

42. (A) Gross Domestic Product (GDP)
Gross Domestic Product is a comprehensive measure of a country's economic activity, representing the total market value of all final goods produced within its borders. It includes production by both residents and foreign entities operating within the nation during a specific time frame. This indicator serves as a key benchmark for assessing the health and growth rate of an economy. It excludes intermediate goods to avoid the problem of double counting.

43. (D) The value of a new car produced and sold in the current year.
GDP calculations focus exclusively on the value of final goods and services produced within the current accounting period. Transactions involving used goods, purely financial transfers like stock purchases, or non-market activities like unpaid housework are excluded. By including only newly produced items, the measure accurately reflects the actual economic output generated during the year. This approach ensures that the total value represents the country's productive capacity accurately.

44. (A) V, II, IV, I, III
The communication process begins with the creation of a message by the sender, which is then encoded into a suitable symbolic format. This encoded message is transmitted through a selected channel to reach the receiver. Upon reception, the receiver decodes the symbols to understand the intended meaning. Finally, the receiver provides feedback to the sender to complete the loop. This systematic flow ensures that information is transferred and comprehension is verified.

45. (C) Depreciation
Net National Product is derived by subtracting the value of capital consumption, or depreciation, from the Gross National Product. Depreciation represents the wear and tear of capital assets used during the production process over a specific period. While GNP reflects total production, NNP provides a more accurate measure of the actual net output available to the economy. It accounts for the investment needed to maintain the existing stock of capital.

46. (D) Income method
The income method calculates national income by summing all the payments made to the owners of the factors of production. This includes wages for labor, rent for land, interest for capital, and profit for entrepreneurship generated within the economy. By totaling these individual income components, the method provides a view of how the national wealth is distributed among various stakeholders. It reflects the total value created through productive activities.

47. (A) Inflation
Inflation is defined as a sustained and significant increase in the general level of prices for goods and services in an economy. As price levels rise, the purchasing power of each unit of currency decreases, meaning consumers can buy fewer items than before. While temporary price fluctuations are common, inflation refers to a persistent upward trend across a wide range of products. It is usually measured using price indices like the CPI.

48. (A) Both A and R are true and R is the correct explanation of A.
Cost-push inflation occurs when the overall price level increases because the costs of production, such as labor or raw materials, rise significantly. As these expenses grow, firms are forced to increase the selling prices of their products to maintain profit margins. This phenomenon is often triggered by supply-side shocks or rising wage demands. The direct link between increased input costs and final product pricing confirms this inflationary mechanism.

NODIA

49. (B) Demand-pull inflation
Demand-pull inflation arises when the total demand for goods and services in an economy exceeds its total productive capacity. This "too much money chasing too few goods" scenario causes prices to rise as consumers compete for limited supplies. It typically occurs during periods of rapid economic expansion or excessive monetary growth. This type of inflation is driven

by strong consumer spending, investment, or government expenditure levels.

50. (A) Price level of a basket of consumer goods and services
The Consumer Price Index is a statistical measure that tracks changes in the prices of a representative set of goods and services purchased by households. By monitoring these price movements over time, it provides an estimate of the inflation rate experienced by the average consumer. It is a vital tool for policymakers to adjust wages, pensions, and social security benefits. It focuses on retail-level consumption costs.

51. (C) Inflationary unemployment
Recognized types of unemployment include frictional, which occurs during job transitions, and structural, which results from a mismatch between skills and available roles. Cyclical unemployment is linked to downturns in the business cycle. Inflationary unemployment is not a standard economic term, as inflation and unemployment are typically discussed in relation to each other through concepts like the Phillips Curve. Unemployment generally refers to people actively seeking work but unable to find it.

52. (D) Moral principles and values that guide business behavior.
Business ethics involves applying ethical standards to organizational conduct and decision-making processes. It goes beyond simple legal compliance to consider what is morally right or wrong in the context of commercial activities. By adopting these principles, firms can build trust with stakeholders and ensure long-term sustainability. It addresses issues such as fairness, integrity, and corporate responsibility in a complex global market. It guides professional behavior.

53. (C) Commitment to operate in an economically, socially, and environmentally sustainable manner.
Corporate Social Responsibility is the concept that companies should integrate social and environmental concerns into their business operations and interactions with stakeholders. This goes beyond profit maximization to include a commitment to ethical behavior and contributing to economic development. It involves improving the quality of life for the workforce, the local community, and society at large. It reflects a holistic approach to corporate citizenship and sustainability.

54. (B) Ethical dilemma
An ethical dilemma occurs when an individual faces a difficult choice between two or more competing moral principles, where choosing one may lead to compromising another. These situations often lack a clear-cut "right" answer and require careful reflection and ethical reasoning to resolve. In a business context, such dilemmas can involve conflicts between profitability and social responsibility. Navigating these challenges is a critical aspect of ethical leadership and governance.

55. (D) I, II, III, and IV
Modern businesses face a wide range of ethical challenges, including illegal acts like insider trading and deceptive practices such as misleading advertising. Issues of social justice, like discrimination in hiring, and employee safety, such as maintaining healthy working conditions, are also significant ethical concerns. Addressing these problems is essential for maintaining corporate reputation and stakeholder trust. These issues highlight the intersection between legal requirements, moral obligations, and effective organizational management.

56. (A) Corporate Governance
Corporate governance provides the structure through which the objectives of a company are set and the means of attaining those objectives are determined. It encompasses the relationships between the board, shareholders, and other stakeholders, ensuring that management acts in the best interest of the owners. This framework is vital for promoting transparency, accountability, and ethical conduct within the organization. It helps in managing risks and ensuring sustainable growth.

57. (C) Balance the interests of a company's many stakeholders.
The core objective of corporate governance is to create a system that balances the needs of various groups, including shareholders, employees, customers, and the community. By ensuring fair

Click Here to Buy book on Amazon

treatment and transparent operations, it builds confidence among investors and the public. This balanced approach helps in long-term value creation and prevents the misuse of power by any single group. It is fundamental for maintaining the integrity and stability of corporations.

58. (A) Bases its operations and decisions on a set of core ethical values.
Value-based organizations prioritize a set of deeply held ethical beliefs that guide their strategy, culture, and daily interactions. These values serve as a moral compass, ensuring that business goals are achieved in a way that is consistent with the organization's principles. This approach fosters a strong sense of purpose and commitment among employees and builds long-term trust with customers. It transcends short-term financial metrics to focus on integrity.

59. (D) Any factor that distorts or interferes with the message.
In the communication process, noise refers to any disturbance that prevents the receiver from accurately interpreting the sender's intended message. This can be physical, like loud sounds, or psychological, such as bias or lack of attention. Noise can occur at any stage, including encoding, transmission, or decoding. Reducing noise is essential for ensuring that communication is effective and that the feedback loop remains accurate and meaningful.

60. (B) An employee should receive orders from one superior only.
The principle of unity of command states that each subordinate should be accountable to and receive instructions from only one supervisor. This prevents confusion, conflicting orders, and divided loyalties, which can hinder organizational efficiency. It helps in maintaining a clear line of authority and establishing accountability throughout the hierarchy. Following this principle simplifies communication and ensures that employees have a clear understanding of their duties and expectations.

61. (B) P-3, Q-1, R-4, S-2
Authority is the legitimate right to command, while responsibility is the obligation to perform assigned tasks effectively. Centralization refers to the concentration of decision-making power at the top, whereas decentralization involves the systematic dispersal of that power across various organizational levels. These concepts are fundamental to designing an effective structure that balances control and empowerment. They define the flow of power and the scope of roles within any formal business entity.

62. (D) Human Relations Movement
The Hawthorne studies shifted the focus of management from physical working conditions to social and psychological factors in the workplace. These experiments revealed that worker productivity is heavily influenced by group dynamics, recognition, and the attention given to employees by their superiors. This research laid the foundation for the human relations movement, emphasizing the importance of understanding human behavior in organizations. It highlighted that employees are social beings.

NODIA

63. (A) Decision Tree
A decision tree is a graphical tool that maps out various decision paths and their potential outcomes, including the probabilities of uncertain events. It allows managers to visually analyze complex problems and calculate the expected value of different alternatives. By structured evaluation of risks and rewards, it helps in choosing the most logical course of action. This technique is particularly useful for sequential decisions where future choices depend on earlier outcomes.

64. (D) Statement I is false, but Statement II is true.
While authority and tasks can be delegated to subordinates, the ultimate responsibility and accountability for the final outcome remain with the superior. A manager cannot pass on their answerability to others; they are always responsible for the actions of those they lead. Delegation empowers subordinates but does not relieve the delegator of their primary obligations. Therefore, accountability is an absolute duty that cannot be transferred to someone else in the hierarchy.

65. (B) Oligopoly
An oligopoly is a market structure dominated by a small number of large firms that are highly aware of each other's actions. Because there are so few competitors, any decision made by one

firm regarding pricing or output will significantly affect the others. This leads to strategic interdependence, where firms must anticipate the reactions of their rivals. Such markets often feature significant barriers to entry and may engage in collusion.

66. (A) Structural
PESTLE analysis is a framework used for environmental scanning, covering Political, Economic, Social, Technological, Legal, and Environmental factors. It helps organizations understand the external macro-environmental influences that could impact their strategic decisions. While "Structural" is not one of the core categories in this acronym, the other components provide a comprehensive view of the global business landscape. Using this tool allows firms to identify potential opportunities and threats systematically.

67. (C) I, II, and IV only
Authority is the right to give orders and flows from the top down, while responsibility is the obligation to perform and flows from the bottom up. For effective management, authority and responsibility should be equal; having more of one than the other can lead to misuse of power or inability to perform. Responsibility cannot logically exist without the authority needed to complete the task. These two concepts are inseparable in a healthy organization.

68. (D) Scientific Management
Scientific management, pioneered by F.W. Taylor, sought to improve industrial efficiency by applying scientific methods to analyze work processes. A core belief of this approach was that there is a single most efficient way to perform any task, which could be discovered through time and motion studies. This philosophy emphasized standardization, specialized training, and cooperation between management and workers. It aimed to maximize productivity and reduce waste in manufacturing environments.

69. (C) The income earned by domestic factors of production in foreign countries minus the income earned by foreign factors of production in the domestic country.
Net Factor Income from Abroad is a critical component for calculating Gross National Product from Gross Domestic Product. it represents the difference between what a nation's citizens earn from their investments and work overseas and what foreign residents earn within that nation's borders. This figure can be positive or negative depending on the flow of income across borders. It reflects the global earning capacity of a country's resources.

70. (C) A is true but R is false.
Price discrimination requires that a market can be effectively segmented and that the different groups cannot resell the product to each other. For this strategy to be profitable, the price elasticity of demand must vary across these sub-markets rather than being identical. By charging a higher price where demand is inelastic and a lower price where it is elastic, the firm can increase its total profit. Elasticity differences are fundamental to this pricing strategy.

71. (D) High inflation and high unemployment
Stagflation describes a difficult economic condition where the economy suffers from stagnant growth and high unemployment while simultaneously experiencing persistent price increases. This unusual combination contradicts traditional economic theories that suggest inflation and unemployment move in opposite directions. It often results from supply-side shocks, such as a sudden rise in oil prices. Policymakers find stagflation particularly challenging to manage because actions to fix one problem often worsen the other.

72. (A) Business ethics
A code of conduct is a formal document that outlines the ethical standards and behavioral expectations for everyone within an organization. It serves as a guide for decision-making and helps in establishing a culture of integrity and responsibility. By clearly defining what is acceptable behavior, the code demonstrates the company's commitment to ethical business practices. It helps in building trust with stakeholders and protecting the organization's reputation in the long run.

73. (C) The number of subordinates a manager can effectively supervise.
The span of control determines the width of an organization's structure and the number of layers

Downloaded from www.pdf.tube

in its hierarchy. A narrow span means a manager oversees few people, leading to a tall structure, while a wide span involves many subordinates, resulting in a flat structure. The ideal span depends on factors like task complexity and employee competence. It is a fundamental concept in organizational design that affects communication and supervision quality.

74. (A) Strategy
A strategy is a high-level, comprehensive plan designed to achieve long-term organizational goals by positioning the entity effectively within its environment. It provides a broad framework for decision-making and allocates resources to achieve a sustainable competitive advantage. Strategies are typically developed by top-level management to guide the entire organization's direction over several years. They serve as the foundation for more specific operational plans, such as policies and procedures, used at lower levels.

75. (A) II, III, IV, V, I
The management process begins with planning, followed by organizing resources to implement those plans. Once the structure is set, staffing involves filling the necessary positions with competent individuals. Coordination then ensures that all activities and departments work in harmony. Finally, the controlling function monitors performance against standards to ensure that goals are being met. This logical sequence represents the continuous cycle of activities that managers perform to lead organizations successfully.

76. (B) Substitutes
Cross elasticity of demand measures how the quantity demanded of one good responds to a change in the price of another good. When this elasticity is positive, it indicates that the two products are substitutes, as consumers will switch to the other good if the price of one increases. Conversely, a negative cross elasticity suggests that the goods are complements, often consumed together. This concept is vital for understanding competitive relationships in the market.

NODIA

77. (C) Management practices should be adapted to the specific situation and environment.
The contingency approach rejects the idea of universal management principles, arguing instead that the most effective methods depend on unique circumstances. It emphasizes that managers must analyze various situational variables, such as technology and culture, before deciding on a course of action. This flexible perspective encourages adaptability and recognizes that what works in one context may fail in another. It integrates diverse management theories into a practical, situation-based framework for decision-making.

78. (D) Direct line authority and advisory staff authority
A line-and-staff organization structure combines the direct command power of line managers with the specialized advice provided by staff experts. Line managers are responsible for achieving the primary goals of the organization, while staff members provide technical support and recommendations to assist them. This arrangement allows for both clear accountability and the utilization of expert knowledge. It helps in managing complex operations where specialized information is needed to make effective decisions.

79. (B) II, III, and IV only
Value-based organizations are characterized by a clearly defined set of core principles that influence every level of decision-making and operation. These guiding values are not just for display; they shape the organizational culture and drive a strong sense of social responsibility. Such entities prioritize integrity and long-term sustainability over short-term gains at any cost. This alignment between values and actions helps in building deep trust with both employees and external stakeholders.

80. (B) Leadership is about influencing people to achieve goals, while management is about administering and coordinating resources.
Leadership focuses on inspiring and motivating individuals to work towards a shared vision, often relying on personal influence rather than formal position. Management, conversely, involves the structured process of planning, organizing, and controlling resources to achieve

specific organizational objectives. While these roles overlap, leaders deal with change and direction, whereas managers focus on stability and efficiency. Effective organizations require individuals who can perform both leadership and management roles as needed.

81. (B) Upward communication
Communication that travels from lower levels of an organization to higher levels is known as upward communication. It provides a channel for subordinates to share feedback, reports, ideas, and grievances with their superiors. This flow is essential for management to understand operational challenges and employee sentiment. Strategies such as open-door policies and suggestion boxes are often used to encourage this type of communication. It fosters a more participative and inclusive organizational culture.

82. (A) Tastes, income, and prices of related goods
The law of demand specifically isolates the relationship between the price of a commodity and the quantity demanded by consumers. To observe this relationship clearly, economic theory assumes that other factors, such as consumer preferences and income, remain unchanged. This ceteris paribus assumption allows for a focused analysis of how price movements alone influence buyer behavior. Changes in these other variables would cause a shift in the entire demand curve rather than movement along it.

83. (C) Controlling
Controlling is the management function that involves monitoring organizational performance to ensure that it aligns with planned goals. It begins with setting measurable standards, followed by evaluating actual results and identifying any significant deviations. If performance falls short of expectations, managers take corrective actions to bring the activities back on track. This process provides the feedback necessary for future planning and ensures that resources are being used efficiently and effectively.

84. (D) Generating a large number of ideas in a group setting.
Brainstorming is a creative technique that encourages participants to freely share a wide range of ideas without fear of immediate criticism. This open environment helps in uncovering innovative solutions that might not emerge in a more structured setting. The focus is on quantity and variety of ideas during the initial phase, with evaluation deferred until later. It is a popular tool for problem-solving and strategic planning in diverse team-based organizational environments.

85. (C) Monopolistic competition and Oligopoly
Product differentiation is a strategy where firms make their offerings unique through features, branding, quality, or service to appeal to specific customer segments. This practice is central to monopolistic competition and many oligopolistic markets, where it allows firms to have some control over pricing. By creating perceived value, companies can build brand loyalty and reduce direct price competition with rivals. This contrasts with perfect competition, where products are identical and price is the only variable.

86. (B) P-2, Q-4, R-1, S-3
Creeping inflation refers to a mild and predictable rise in prices, while galloping inflation describes a much faster, double or triple-digit annual increase. Hyperinflation is an extreme case with exceptionally rapid price hikes that can devastate an economy. Demand-pull inflation occurs when excessive demand for goods outstrips the available supply. Understanding these different types of inflation is essential for developing appropriate monetary and fiscal policies to maintain economic stability and growth.

87. (D) Productive efficiency
Productive efficiency is achieved when an economy or firm produces the maximum possible output from a given set of inputs at the lowest possible cost. This indicates that resources are being utilized in the most technically efficient manner. In a competitive market, firms strive for this level of efficiency to survive and maximize their profit margins. It is a key indicator of operational success and optimal resource management within any productive entity or industrial system.

88. (A) Adam Smith
The "invisible hand" is a classic economic metaphor introduced in the 18th century to describe how individual self-interest can lead

Click Here to Buy book on Amazon

to beneficial social outcomes. It suggests that in a free market, the collective actions of buyers and sellers naturally guide resources to their most valued uses without the need for central planning. This concept remains a cornerstone of capitalist economic thought and argues for the efficiency of market mechanisms. It emphasizes minimal government intervention.

89. (C) Unity of Command
A matrix organization structure requires employees to report to both a functional manager and a project or product manager. This dual-reporting system directly contradicts the classical principle of unity of command, which states that an individual should have only one boss. While the matrix structure provides flexibility and better resource utilization, it can also lead to conflict and confusion for employees. Managing these competing demands is a significant challenge in such complex organizational designs.

90. (D) Statement I is false, but Statement II is true.
Law and ethics are distinct concepts, although they often overlap; while laws are formal rules enforced by the state, ethics involve moral principles and judgments. An action can be strictly legal yet still be considered unethical by societal or professional standards. Conversely, some ethical behaviors might not be required by law. For a business, following the law is a minimum requirement, while acting ethically represents a higher standard.

91. (D) Law of Variable Proportions
This economic principle describes how the total output changes when the quantity of one variable input is increased while other inputs remain fixed. Initially, output may increase at an increasing rate, but eventually, the marginal product will begin to decline. This phenomenon explains why adding more workers to a fixed factory space will eventually lead to smaller gains in production. It is a fundamental concept for understanding short-run production and cost structures in any firm.

92. (B) Inflexibility
Good corporate governance is built on the pillars of transparency, accountability, fairness, and responsibility. These principles ensure that a company is managed ethically and in the interests of its stakeholders, particularly its shareholders. Transparency involves clear reporting, while accountability ensures that management is answerable for its decisions. Inflexibility is not a pillar; in fact, modern governance often requires the ability to adapt to changing environments while maintaining core ethical standards and stakeholder trust.

93. (B) I and III only
The decision-making process logically begins with identifying the problem or opportunity that requires action. Once the issue is defined, the next crucial step is to develop a range of possible alternative solutions. While the process involves rational analysis, it is rarely free from human biases or information limitations. Furthermore, the process does not end with a choice; it must include implementation and a subsequent evaluation of the decision's effectiveness to be complete.

94. (D) Reporting of unethical or illegal activities
Whistleblower protection policies provide a safe mechanism for employees to report misconduct within their organization without fear of retaliation. These policies are essential for maintaining corporate integrity and identifying problems like fraud, safety violations, or corruption early on. By encouraging internal reporting, companies can address issues before they lead to legal trouble or public scandals. This commitment to transparency is a key element of ethical leadership and effective corporate governance systems.

95. (A) Both A and R are true and R is the correct explanation of A.
A Veblen good is a luxury item for which demand rises as the price increases, contradicting the standard law of demand. This occurs because the high price enhances the product's status and exclusivity, making it more desirable to certain consumers as a symbol of wealth. The perceived value of the good is directly linked to its cost. Therefore, the upward-sloping demand curve for these goods is driven by the desire for conspicuous consumption and prestige.

96. (B) Corporate Social Responsibility
Corporate Social Responsibility is the concept that businesses have a broad set of obligations to

Downloaded from www.pdf.tube

the society in which they operate. This includes fair treatment of employees, honesty with customers, and contributing to environmental and social well-being. By recognizing these responsibilities, firms can create long-term value and build a positive reputation. It reflects a move away from focusing solely on profit toward a more sustainable and stakeholder-oriented approach to management and corporate strategy.

97. (B) The formal structure of authority and reporting relationships.
An organization chart provides a visual representation of how an entity is structured, showing the hierarchy of positions and the lines of command. It clarifies who reports to whom and how different departments or units are connected. While it does not show informal social networks or the actual workflow of specific tasks, it is an essential tool for understanding the formal distribution of authority. It helps in defining roles and responsibilities within the enterprise.

98. (A) The value of the next best alternative foregone.
Opportunity cost represents the potential benefits that an individual or business misses out on when choosing one alternative over another. It is a fundamental concept in decision-making that emphasizes the trade-offs involved in using limited resources like time and money. For example, the opportunity cost of investing in a new project is the return that could have been earned from another investment. Recognizing these hidden costs is essential for making truly rational economic choices.

99. (C) In the long run, those who do not use power in a manner society considers responsible will tend to lose it.
The Iron Law of Responsibility suggests a long-term social contract between business and society. It argues that societal expectations define the limits of corporate power and that businesses must act responsibly to maintain their social license to operate. If organizations consistently ignore their social obligations, they will eventually face increased regulation or loss of public support. This principle emphasizes the importance of corporate social responsibility for the long-term survival and success of any major enterprise.

100. (D) Downward communication
Downward communication occurs when information flows from the higher levels of an organization's hierarchy to the lower levels. It is typically used by managers to provide instructions, explain policies, share goals, and offer performance feedback to their subordinates. While it is essential for directing organizational activities, it must be carefully managed to ensure clarity and avoid information overload. Effective downward communication helps in aligning employee efforts with the overall strategic objectives of the firm.

NODIA

101. (A) II, III, I, IV
The history of management thought began with the scientific management era of F.W. Taylor, followed by Henri Fayol's administrative theories. Later, Elton Mayo's Hawthorne studies introduced the human relations approach, shifting focus to employee psychology. Peter Drucker then emerged as a modern management pioneer with his focus on management by objectives and knowledge work. This progression reflects an increasing understanding of organizational complexity, moving from mechanical views toward human-centric and strategic perspectives in the workplace.

102. (B) Expected Monetary Value (EMV)
Decision-making under risk involves situations where the possible outcomes and their probabilities are known to the manager. The Expected Monetary Value technique helps in evaluating alternatives by calculating the weighted average of all possible outcomes for each choice. Other methods like maximin and maximax are typically used under conditions of total uncertainty where probabilities are unknown. EMV provides a structured, quantitative basis for making the most logical choice when risk can be statistically estimated.

103. (D) Objectives are set jointly by superiors and subordinates.
Management by Objectives is a participative management system where employees and their managers collaboratively set specific, measurable goals for a given period. This process ensures

that individual objectives are aligned with the overall goals of the organization. By involving subordinates in goal setting, MBO aims to increase motivation, commitment, and clarity of performance expectations. Regular reviews of progress are a key part of this approach, providing a basis for appraisal and future planning.

104. (B) II, III, and IV only
Corporate Social Responsibility is more than simple charity; it is a strategic commitment to operate in a way that creates value for both the business and society. It involves going beyond legal requirements to address social, environmental, and ethical concerns voluntarily. In many jurisdictions, CSR has become a mandatory requirement for large companies, reflecting its growing importance in global business governance. It is a comprehensive approach that considers the long-term impact of corporate actions on various stakeholders.

105. (C) -0.5, which is inelastic.
Price elasticity of demand is calculated by dividing the percentage change in quantity demanded by the percentage change in price. In this case, a five percent decrease in demand divided by a ten percent increase in price yields an elasticity value of 0.5. Since the absolute value is less than one, the demand is considered inelastic, meaning consumers are relatively unresponsive to price changes. This information is vital for firms when determining their pricing and revenue strategies.

106. (A) Budget
A budget is a formal plan that translates organizational objectives into quantitative and financial terms for a specific future period. It serves as a tool for planning, resource allocation, and controlling performance. By comparing actual financial results with the budgeted figures, managers can identify deviations and take necessary corrective actions. Budgets provide a clear framework for coordination across different departments and ensure that the organization operates within its available financial resources and constraints.

107. (D) The line of authority from the highest to the lowest rank.
The scalar chain principle defines the formal hierarchy and the direct line of authority that connects every position in an organization from top to bottom. It ensures that communication follows a structured path, preventing confusion and maintaining order. While it provides a clear framework for accountability, it can sometimes slow down communication in large entities. Fayol suggested the “gang plank” as a way to allow direct communication across levels when immediate action is required.

108. (B) Monopolistic Competition
In monopolistic competition, many firms offer products that are similar but not identical, making product differentiation a key strategy. Because price competition can easily lead to reduced profits for all, firms often focus on non-price factors such as advertising, branding, and customer service. These efforts help in creating brand loyalty and making demand less price-sensitive. This type of competition is essential for firms to maintain their market share and attract customers in a crowded marketplace.

109. (A) Both Statement I and Statement II are true.
Nominal national income reflects total production valued at the prices prevailing in the current year, which can be influenced by inflation. To understand actual economic growth, economists calculate real national income using constant prices from a fixed base year. This adjustment removes the effects of price changes, allowing for a more accurate comparison of output over time. Both measures are essential for a complete analysis of a nation’s economic performance and its overall health.

110. (D) Strengths, Weaknesses, Opportunities, and Threats
SWOT analysis is a fundamental strategic planning tool that evaluates an organization’s internal capabilities and external environment. Strengths and weaknesses are internal factors, such as resource levels or process efficiencies, while opportunities and threats are external factors like market trends or competition. By analyzing these four areas, managers can develop strategies that leverage their advantages and address their vulnerabilities. It provides a comprehensive overview that is essential for effective long-term planning and strategic decision-making.

Click Here to Buy book on Amazon

111. (A) Concentration
The communication process requires several essential elements to function, including a sender who encodes the message and a receiver who decodes it. A channel is the medium through which the information is transmitted from one party to another. While concentration might be necessary for understanding, it is not a structural part of the communication model itself. Effective communication also involves feedback to confirm that the message was received and understood as intended by the original sender.

112. (B) Formalization
Formalization refers to the extent to which an organization relies on written rules, procedures, and standardized processes to direct employee behavior. In highly formalized organizations, roles are clearly defined, and there is little room for discretion or individual variation in how tasks are performed. This structure helps in maintaining consistency and quality but can sometimes lead to rigidity and reduced creativity. It is a key dimension of organizational design that influences how work is managed and controlled.

113. (B) P-2, Q-4, R-1, S-3
The GDP deflator measures price changes across all goods in the economy, while the Phillips curve illustrates the trade-off between inflation and unemployment. The Laffer curve explores the relationship between tax rates and total revenue, and the Lorenz curve graphically represents the distribution of income or wealth. These models are fundamental tools for economic analysis and policy formulation. They provide insights into the complex interactions between various macroeconomic variables and help in understanding societal inequality.

114. (A) F.W. Taylor
F.W. Taylor is widely recognized for his pioneering work in scientific management, which aimed to improve industrial efficiency through systematic analysis. His principles emphasized that work could be optimized by breaking down tasks, training workers in specialized roles, and providing financial incentives. This approach shifted management from a rule-of-thumb method to a more scientific and measurable discipline. His contributions laid the foundation for modern industrial engineering and have significantly influenced how organizations manage labor and productivity.

115. (C) Matrix Structure
A matrix organization structure is characterized by a dual chain of command where employees are accountable to both functional and project managers. This design allows the organization to be flexible and respond quickly to complex project requirements while maintaining functional expertise. It facilitates the sharing of resources and knowledge across different departments and project teams. However, the dual reporting structure can also create conflict and require strong interpersonal skills for effective coordination and management of competing priorities.

116. (D) Resource Allocator
In the decisional category of Mintzberg's managerial roles, the resource allocator is responsible for deciding how the organization's assets are distributed. This involves making choices about budgets, personnel, and equipment to ensure that the most important projects receive necessary support. Other decisional roles include entrepreneur, disturbance handler, and negotiator. These roles highlight the manager's function as a decision-maker who must balance competing demands to achieve organizational goals while managing limited and often scarce resources.

117. (A) Both A and R are true and R is the correct explanation of A.
Decentralization involves delegating decision-making authority to lower levels of the hierarchy, which significantly reduces the time needed for approvals. When frontline managers have the power to handle issues directly, the organization can respond more quickly to changes and customer needs. This empowerment not only speeds up processes but also motivates employees and prepares lower-level managers for higher responsibilities. The direct link between delegation of power and increased speed in decision-making is a core benefit of this structure.

118. (B) Consumer income increases.
In economic theory, an inferior good is one for which demand moves in the opposite direction of consumer income. As people earn more, they

NODIA

tend to switch from these lower-cost options to more expensive, higher-quality alternatives. This shift leads to a decrease in the quantity demanded of the inferior good despite its price remaining the same. Examples often include basic food staples or public transportation. Understanding income elasticity is vital for businesses to predict how their sales will change.

119. (B) I and III only
Principles of good corporate governance emphasize transparency in operations and accountability to all stakeholders to ensure ethical and fair management. Autocratic decision-making and a lack of fairness are contrary to these goals, as they can lead to misuse of power and erode trust. Effective governance systems are designed to promote openness and ensure that the board and management are answerable for their actions. This framework is essential for maintaining investor confidence and the long-term integrity of the organization.

120. (A) Program
A program is a single-use plan developed to manage a complex, non-repetitive task or set of activities toward a specific goal. It typically includes a timeline, budget, and a series of steps required to complete the objective within a fixed period. Unlike policies or rules, which are ongoing guidelines, programs are designed to deal with unique situations and are finished once the goal is achieved. This type of planning is essential for large-scale initiatives like product launches.

121. (C) Recession
The business cycle consists of several phases, with a recession representing a period where economic activity slows down significantly. This downturn is marked by a decline in total output, lower levels of consumer spending, and a rise in unemployment across various industries. It follows a peak in the cycle and continues until the economy reaches its lowest point, known as the trough. Understanding these cycles is critical for businesses and governments to adjust their strategies and policies for stability.

122. (A) People, Planet, Profit
The Triple Bottom Line is a sustainability framework that encourages organizations to measure their success beyond traditional financial profit. It evaluates performance based on social impact (people), environmental stewardship (planet), and economic viability (profit). This holistic approach reflects the idea that a truly successful business must balance the needs of all its stakeholders and the natural environment. By considering these three dimensions, companies can better manage their long-term risks and contribute to a more sustainable global economy and society.

123. (D) Technical skill
Technical skills involve the specific knowledge and proficiency required to perform tasks in a specialized field, such as engineering, accounting, or information technology. These skills are particularly important at the lower levels of management where managers must oversee operational activities and train their subordinates. While conceptual and human skills become more important at higher levels, a basic understanding of technical processes remains essential for effective supervision. Such skills are gained through formal education, specialized training, and hands-on experience.

124. (B) Geographic departmentalization
Geographic departmentalization involves organizing an entity based on the specific territories or regions it serves, such as different cities, states, or countries. This structure allows the organization to adapt its operations and marketing strategies to meet the unique needs and preferences of customers in each location. It is particularly effective for large, multi-national companies that face diverse local market conditions and regulations. By decentralizing authority to regional managers, the firm can improve its responsiveness and local coordination efforts.

125. (C) Choosing the first solution that is “good enough”.
Satisficing is a decision-making strategy where individuals settle for the first option that meets their minimum criteria rather than continuing to search for the absolute optimal choice. This concept, part of the bounded rationality theory, recognizes that decision-makers often face limits on time, information, and mental capacity. While it may not result in the best possible outcome,

Downloaded from www.pdf.tube

satisficing is a practical way to manage complex problems in a fast-paced environment. It allows for timely action and efficient use of resources.

126. (B) II, III, IV, I
Carroll's CSR pyramid provides a hierarchical view of corporate duties, starting with the foundational economic responsibility to be profitable. Next is the legal responsibility to obey all laws and regulations, followed by the ethical responsibility to act fairly even when not legally required. At the top are philanthropic responsibilities, which involve contributing to the well-being of the community. This model suggests that businesses must fulfill their basic economic and legal obligations before they can effectively address higher-level social and ethical concerns.

127. (A) Rigidity and lack of adaptability
While planning is essential for achieving organizational goals, it can become a barrier if plans are too rigid to accommodate unexpected changes in the business environment. A lack of flexibility may prevent managers from responding effectively to new opportunities or threats, potentially leading to failure. For planning to be successful, it must be balanced with the ability to adapt and revise strategies as needed. Over-reliance on fixed plans without considering the dynamic nature of the market can hinder performance.

128. (B) Unitary elastic
Unitary elasticity occurs when the percentage change in quantity demanded is exactly equal to the percentage change in price. In this situation, the total revenue remains constant regardless of whether the price increases or decreases, as the two changes cancel each other out. This indicates a moderate level of consumer responsiveness to price movements. Understanding this relationship is crucial for firms when developing pricing strategies, as it helps them predict the impact of price changes on their overall sales and profitability.

129. (B) Leading
Leading is a fundamental management function that focuses on guiding and motivating employees to work toward common organizational objectives. It involves establishing a vision, communicating goals, and influencing individuals through leadership styles that inspire commitment and high performance. Effective leaders build strong relationships and foster a positive culture that encourages cooperation and innovation. While organizing and staffing provide the structure, leading provides the human energy and direction needed to transform plans into successful results and achievements.

130. (A) I and III only
Inflation is a persistent rise in price levels that reduces the purchasing power of money, meaning consumers can buy less with the same amount of currency. While high inflation can be damaging, a moderate and stable inflation rate is often seen as a sign of a healthy, growing economy. It generally penalizes lenders by reducing the real value of the money repaid while benefiting borrowers who repay in less valuable currency. Deflation, the opposite of inflation, involves a sustained decrease in prices.

131. (C) The Classical Approach
The human relations school emerged as a response to the perceived mechanical and rigid nature of the classical management approach. Early theories like scientific management often ignored the social and psychological needs of workers, focusing almost entirely on physical efficiency and productivity. Critics argued that this perspective treated employees like parts of a machine rather than human beings. The human relations movement emphasized the importance of motivation, group dynamics, and supportive leadership in achieving organizational success and high worker morale.

132. (D) Opportunity
In a SWOT analysis, an opportunity is a positive external factor that an organization can exploit to its advantage. These can arise from changes in market trends, technological advancements, or new government policies that favor the company's products or services. Identifying and acting on these opportunities is critical for achieving growth and a sustainable competitive advantage. Unlike strengths, which are internal to the firm, opportunities are found in the wider environment and require strategic foresight and timely action to capture.

NODIA

133. (C) Operations Research
Operations research is a scientific and quantitative approach to decision-making that uses mathematical models and statistical analysis to solve complex organizational problems. It is used to optimize processes such as resource allocation, inventory management, and logistics to improve overall efficiency and effectiveness. Unlike qualitative techniques like brainstorming or the Delphi method, which rely on human judgment and intuition, operations research provides objective and data-driven solutions. It is particularly valuable for making large-scale strategic choices in complex and data-rich environments.

134. (B) Monopsony
A monopsony is a market condition where there is only one buyer for a specific product or service, giving that buyer significant power over the sellers. In this situation, the single buyer can influence the price and terms of the transaction because sellers have no other viable outlets for their goods. This often occurs in labor markets where a large employer is the only source of work in a region. Such market power can lead to lower wages or prices than in competitive markets.

135. (D) Utilitarianism
Utilitarianism is a consequentialist ethical theory that suggests the best action is the one that results in the greatest overall benefit for the largest number of people. It focuses on the outcomes of decisions, aiming to maximize pleasure or utility while minimizing harm. In a business context, this could involve making choices that benefit the majority of stakeholders, even if some individuals are negatively affected. It provides a quantitative-like framework for evaluating the morality of different alternatives based on their collective impact.

136. (C) Statement I is true, but Statement II is false.
Formal communication is the official exchange of information through established organizational channels and hierarchy. Informal communication, often called the grapevine, exists alongside it and arises from social interactions among employees. While the grapevine can carry rumors, it is not always inaccurate or harmful; it often spreads information quickly and provides valuable social support. Management can use it to gauge employee sentiment. A healthy organization recognizes and balances both formal and informal flows to ensure effective communication throughout the firm.

137. (C) Increasing the bank rate
The bank rate is a primary tool of monetary policy used by central banks to control the money supply and influence inflation. By increasing this rate, the central bank makes borrowing more expensive for commercial banks, which in turn leads to higher interest rates for businesses and consumers. This reduction in borrowing and spending helps to cool the economy and slow down the rate of price increases. It is a direct and powerful mechanism for maintaining price stability and managing overall economic growth.

138. (A) Coordinating
Coordination is the process of integrating the activities and objectives of diverse departments and individuals to achieve a common goal. It ensures that all parts of the organization are synchronized and working in harmony, preventing duplication of effort and minimizing conflict. While it is not always listed as a separate management function, it is essential for the success of all other functions like planning and organizing. Effective coordination leads to greater efficiency and a cohesive approach to achieving organizational success and excellence.

139. (A) P-3, Q-4, R-1, S-2
The span of control describes the number of subordinates a manager can effectively oversee, while unity of command states that an employee should have only one supervisor. Esprit de corps refers to building team spirit and unity, and the scalar chain is the formal line of authority in an organization. These principles, many of which were proposed by Henri Fayol, are fundamental to designing efficient and harmonious organizational structures. They help in clarifying roles, maintaining order, and fostering a productive work environment.

140. (B) A management framework where corporate values guide all decisions and actions.
Value-based management is an approach where an organization's core ethical and professional values serve as the primary guide for strategic planning and daily operations. It goes beyond

Click Here to Buy book on Amazon

simple profitability to ensure that all actions are consistent with the company's stated principles. This framework helps in building a strong organizational culture and deep trust with stakeholders. By aligning behavior with values, the firm can achieve long-term sustainability and a positive reputation in the market. It prioritizes integrity alongside performance.

141. (C) The consumer's equilibrium.
Consumer equilibrium is the point at which an individual maximizes their satisfaction given their limited budget and the prices of goods. This occurs at the point where the highest possible indifference curve is just tangent to the budget line. At this location, the marginal rate of substitution between the two goods is equal to their price ratio. It represents the optimal combination of products that a consumer can afford while achieving the greatest total utility possible under their financial constraints.

142. (A) Both A and R are true and R is the correct explanation of A.
In monopolistic competition, many firms sell products that are similar but not identical, which gives each firm a small amount of control over its own price. This limited market power arises because product differentiation, through branding or unique features, makes products close substitutes rather than perfect ones. Consumers who develop a preference for a particular brand are less likely to switch immediately if the price rises slightly. The direct link between differentiation and price control defines this market structure.

143. (D) I, II, III, IV, and V
The communication process is a comprehensive system that includes several vital components to ensure the effective transfer of information. It starts with a sender who encodes a message and transmits it through a channel to a receiver. Noise can interfere at any stage, potentially distorting the meaning of the communication. Finally, the receiver provides feedback, which completes the loop and allows the sender to verify that the message was understood. All these elements are necessary for meaningful and successful interaction.

144. (B) Responsibility
Responsibility is the moral and functional obligation of a subordinate to carry out the duties that have been assigned to them by a superior. It arises from the authority-responsibility relationship and is essential for the effective functioning of any hierarchy. While authority is the right to give orders, responsibility is the duty to perform the work. It is an individual obligation that ensures tasks are completed according to expectations. Without responsibility, the delegation of authority would lack a corresponding commitment to performance.

145. (B) Order
The principle of order suggests that both materials and people should be in their designated places at the right time to ensure organizational efficiency. This minimizes waste, reduces confusion, and facilitates a smooth workflow throughout the enterprise. It applies to both physical resources (social order) and human resources (material order). By maintaining a systematic arrangement, management can improve productivity and ensure that everything needed for operations is readily available. It is one of Fayol's 14 fundamental principles of management.

146. (A) They intersect each other at the point of equilibrium.
Indifference curves have several key characteristics, including being convex to the origin and sloping downwards from left to right. A fundamental rule is that two indifference curves can never cross or intersect each other, as this would violate the principle of transitivity and lead to logical inconsistencies in utility levels. Higher curves always represent a greater level of satisfaction for the consumer. These properties provide a consistent framework for analyzing consumer preferences and trade-offs between different combinations of goods and services.

147. (C) Ensure the organization has the right number and kind of people at the right places.
Staffing is the management function focused on human resource planning and management to meet the organization's workforce needs. It involves identifying personnel requirements and then acquiring, training, and developing employees to fill specific roles effectively. By placing the right individuals in the right positions,

NODIA

staffing ensures that the organization has the skills and talent needed to achieve its goals. This continuous process is vital for maintaining a productive workforce and ensuring long-term organizational success and growth.

148. (C) Balance of Trade
The balance of trade is the specific difference between the monetary value of a nation's exports of goods and its imports of goods over a given period. If a country exports more than it imports, it has a trade surplus; conversely, if it imports more, it faces a trade deficit. It is a major component of the broader balance of payments, which includes all international financial transactions. This indicator provides insights into a country's economic relationship with the rest of the world and its competitiveness.

149. (C) There is a conflict between two or more valid but competing ethical values or principles.
An ethical dilemma arises when a decision-maker must choose between several alternatives, each of which is supported by a valid moral principle, yet choosing one results in compromising another. These complex situations are not simply about right versus wrong, but about navigating the tensions between competing "rights." Such dilemmas require careful ethical reasoning and a clear understanding of personal and organizational values to resolve. They are a common challenge in professional life and highlight the complexity of moral judgment and decision-making.

150. (B) Semi-structured and unstructured decision problems.
A decision support system is an interactive information system designed to help managers solve complex and poorly defined problems. It combines data analysis with specialized models to provide insights and evaluate different courses of action. Unlike automated systems for routine tasks, a DSS supports the human decision-maker by handling the data-heavy aspects of problem-solving. This tool is particularly valuable for making strategic and tactical decisions where there is significant uncertainty and the best path forward is not immediately obvious.

151. (A) III, IV, II, I
The control process begins with establishing clear performance standards, which serve as the benchmarks for evaluation. Next, actual performance is measured using appropriate techniques and data collection methods. This actual performance is then compared with the established standards to identify any significant deviations or gaps. Finally, managers take corrective action to address any problems and ensure that goals are met. This logical and continuous loop provides the feedback necessary for effective management and future planning in any organization.

NODIA

152. (A) Setting a price below cost to attract customers in the hope they will buy other, more profitable items.
A loss leader strategy involves pricing a popular product at an extremely low level, sometimes even below its cost, to draw customers into a retail store or website. The goal is not to make a profit on that specific item, but to encourage shoppers to buy other, higher-margin goods during their visit. This tactic can increase overall sales volume and build customer traffic. While it can be very effective, it requires careful management to ensure that the total profit remains positive.

153. (C) A system of direct communication between employees at the same level of hierarchy to speed up communication.
The gang plank is a management concept introduced by Henri Fayol to allow for faster communication between employees who are in different departments but at the same level of authority. It permits individuals to communicate directly with each other without having to follow the long scalar chain of superiors for every single interaction. This is particularly useful in emergencies or when quick coordination is needed. It helps prevent bureaucratic delays while still keeping superiors informed of the actions taken.

154. (A) It is primarily concerned with external marketing strategies.
Corporate governance is focused on the internal systems and processes used to direct and control a company, ensuring that it acts in the interests of its shareholders and other stakeholders. It encompasses areas like board oversight, financial

transparency, and ethical conduct, rather than external marketing or sales tactics. The goal is to build long-term trust and ensure the company's integrity and sustainability. Marketing strategies, while important, are part of the functional management of the firm rather than its overall governance framework.

155. (D) People tend to perform better when they know they are being observed as part of a study.
The Hawthorne effect refers to a psychological phenomenon where individuals modify their behavior or increase their productivity simply because they are aware they are being watched or are part of an experiment. This concept emerged from research at the Hawthorne Works plant, which initially aimed to study physical working conditions but instead highlighted the importance of social factors. It suggests that attention and recognition can be powerful motivators for employees. This discovery was a major catalyst for the human relations movement in management thought.

156. (B) Decision-makers are limited by their cognitive abilities, available information, and time.
Bounded rationality is the idea that human decision-making is not perfectly logical due to inherent limitations in knowledge, time, and mental capacity. Instead of searching for the absolute best solution, individuals often settle for "satisficing" or choosing the first option that is good enough to meet their needs. This concept acknowledges that the real world is too complex for perfect rationality and provides a more realistic view of how managers actually make choices. It emphasizes that decision-making is a process of managing constraints.

157. (A) I, II, and III only
A monopoly is defined by a single firm being the sole supplier of a unique product that has no close substitutes. This structure is supported by significant barriers to entry, such as patents or high capital requirements, which prevent competition. Because the firm is the only seller, it is a price maker rather than a price taker, meaning it has the power to set the market price. These characteristics allow a monopolist to earn sustained profits by controlling total output and pricing levels.

158. (D) Statement I is false, but Statement II is true.
Value-based organizations do not prioritize profit over their principles; instead, they believe that staying true to their core values is the key to long-term success. These shared beliefs provide a unifying purpose and serve as a guide for all employee behavior and strategic decisions. While financial health is important, it is achieved within the framework of ethical conduct and social responsibility. This approach builds a strong internal culture and enhances the organization's reputation and trust with stakeholders, ultimately leading to sustainable growth.

159. (A) Consumer income.
Income elasticity of demand measures how the quantity demanded of a good responds to changes in the income of the consumers who buy it. It is calculated as the percentage change in quantity demanded divided by the percentage change in income. This information helps businesses understand whether their products are normal goods, luxury goods, or inferior goods. By analyzing income elasticity, firms can predict how economic growth or downturns will affect their sales and adjust their marketing and production plans accordingly.

160. (B) Divisional structure
A divisional structure organizes a company by grouping together all the functions needed to produce a specific product or serve a particular region or customer group. Each division operates almost like a separate business, with its own resources and management team. This design allows for greater focus on specific markets and faster decision-making within the division. It is often used by large, diversified companies that manage multiple product lines or operate in many different geographical areas to improve their local responsiveness and performance.

161. (D) A is false but R is true.
Measuring inflation is a complex process that involves many challenges, such as choosing the right basket of goods and accounting for quality changes over time. Different price indices, like the CPI and WPI, can show varying results because they focus on different parts of the economy and different types of transactions. There is no single "perfect" measure, so policymakers must look at multiple indicators to get a full picture of price

Downloaded from www.pdf.tube

stability. The choice of index significantly affects the calculated inflation rate.

162. (A) Administrative Management
Administrative management theory focuses on the overall structure of an organization and the universal principles that can be applied to manage any enterprise. Developed by pioneers like Henri Fayol, it emphasizes the importance of functions like planning, organizing, and controlling from the perspective of top-level management. This approach seeked to create a comprehensive framework for achieving organizational efficiency and coordination. It differs from scientific management, which focuses primarily on individual tasks and productivity, by looking at the organization as a whole system.

163. (C) Evaluating decision effectiveness (feedback)
The final and critical step in the decision-making process is to monitor and evaluate the results of the chosen alternative. This feedback loop allows managers to see if the problem was actually solved and if the decision achieved its intended goals. If the outcome is not successful, the information gained can be used to start the process again and find a better solution. This evaluation is essential for continuous improvement and learning from past choices, ensuring better decision-making in the future.

164. (B) P-3, Q-1, R-4, S-2
Different types of communication flow through an organization to serve various needs, such as downward for instructions and upward for feedback. Horizontal communication facilitates coordination between departments, while the grapevine serves as an informal social network for sharing information. Understanding these various flows is essential for effective management and ensuring that information reaches the right people at the right time. Each type plays a unique role in maintaining organizational harmony, alignment, and social cohesion among the diverse members of the workforce.

165. (C) The want-satisfying power of a good.
In economic terms, utility is a measure of the satisfaction or pleasure a consumer derives from consuming a good or service. It is highly subjective, as different individuals will value the same item differently based on their own needs and preferences. While utility is not necessarily the same as usefulness, it is the fundamental reason why people choose to buy certain products. Economists use this concept to analyze consumer behavior and understand how people make choices to maximize their overall satisfaction.

166. (B) More layers of management and slower communication.
A tall organization structure is defined by having many hierarchical levels and a narrow span of control for each manager. This vertical design often leads to slower communication as information must pass through many layers before it reaches its final destination. Additionally, the increased number of managers can result in higher administrative costs and a more bureaucratic work environment. While it allows for closer supervision, it can also hinder quick decision-making and reduce the organization's overall flexibility and ability to respond to market changes.

167. (C) I, III, and V only
Business ethics is concerned with applying moral principles to the behavior of both individuals and organizations in the marketplace. It is a vital part of building trust with stakeholders and is closely linked to long-term profitability and success. Following the law is a basic requirement, but being truly ethical often requires a higher standard of conduct. By adopting ethical practices, companies can create a positive work environment and enhance their overall reputation and social impact. It is a key part of modern corporate responsibility.

168. (A) Staffing
Staffing is the managerial function that involves identifying human resource needs and ensuring that the right people are hired, trained, and placed in appropriate positions. This continuous process includes recruitment, selection, appraisal, and development of the workforce to meet the organization's evolving requirements. By effectively managing its human capital, the firm can ensure that it has the skills and talent necessary to achieve its strategic goals. It is a vital part of building a strong and capable team that can drive the organization forward.

NODIA

169. (C) Utility can be measured in absolute, numerical units (utils).
Cardinal utility analysis is based on the assumption that the satisfaction derived from consumption can be measured in exact, objective units called "utils." This allows for a precise comparison of the utility gained from different goods and helps in understanding how consumers maximize their total satisfaction. While modern economists often prefer ordinal utility, which only ranks preferences, cardinal analysis provides a useful framework for teaching basic economic concepts like the law of diminishing marginal utility. It simplifies the complex nature of human satisfaction.

170. (A) The interaction of supply and demand to establish the market price of a good or service.
In a market economy, price determination is the process by which the forces of supply and demand interact to reach an equilibrium price. This price is where the quantity that producers are willing to sell exactly matches the quantity that consumers are willing to buy. When demand or supply changes, the market price will naturally adjust until a new equilibrium is found. This decentralized process ensures that resources are allocated efficiently without the need for government intervention or central planning.

171. (D) Risk
Decision-making under risk occurs when a manager does not know the exact outcome of a choice but can estimate the probability of each potential result. This situation is more common than complete certainty and requires the use of statistical tools and historical data to make informed judgments. By calculating the expected value of different alternatives, managers can choose the path that offers the best balance of potential reward and acceptable risk. This approach provides a structured way to handle uncertainty and make logical decisions.

172. (B) A series of major corporate scandals and failures.
The global emphasis on corporate governance was largely driven by high-profile corporate scandals, such as Enron and WorldCom, which revealed deep-seated issues in financial reporting and management oversight. These failures eroded investor trust and highlighted the need for stronger rules and more transparent practices to protect shareholders and other stakeholders. In response, governments and organizations around the world developed new codes and regulations to ensure that companies are managed ethically and accountably. Good governance is now seen as essential for market stability.

173. (C) Total revenue equals total cost.
The break-even point is the specific level of sales or production at which a company's total revenue exactly matches its total costs, resulting in neither profit nor loss. This point is a critical benchmark for managers as it identifies the minimum performance needed to cover all expenses, including both fixed and variable costs. Analyzing the break-even point helps in making decisions about pricing, production volume, and the overall feasibility of new business ventures. It provides a foundational understanding of a firm's profitability and financial risk.

174. (D) The freedom for employees to think out and execute plans.
Initiative is one of Henri Fayol's 14 principles of management, emphasizing that employees should be encouraged to show creativity and develop their own plans. By giving workers the freedom to think and act independently within their roles, management can foster a more innovative and motivated workforce. This principle recognizes that employees at all levels have valuable ideas and can contribute significantly to organizational success if given the chance. Encouraging initiative helps in building a dynamic and responsive organization that values human potential and creativity.

175. (A) Both A and R are true and R is the correct explanation of A.
In perfect competition, each firm is a price taker because it produces such a small part of the total market output that its actions have no effect on the overall price. All firms sell identical products, so if one firm raises its price, consumers will simply buy from another seller. The market price is determined solely by the aggregate supply and demand of all participants. This environment ensures that firms must operate efficiently and accept the prevailing market price to survive and succeed.

Click Here to Buy book on Amazon

176. (B) Ethical Structure
Organizational structures define how authority and communication flow within a company, with common types including functional, divisional, and matrix structures. While ethics is a vital part of an organization's culture and operations, "Ethical Structure" is not a standard type of organizational design. Instead, ethical principles are integrated into the existing formal structures and processes of the firm. Choosing the right structure is essential for achieving strategic goals and ensuring that the organization can operate efficiently and respond to its environment effectively.

177. (B) Expenditure Method
The expenditure method calculates national income by summing all the spending on final goods and services within an economy during a given period. It includes consumption by households, investment by businesses, government spending, and net exports. By totaling these individual expenditure components, the method provides a view of the total demand for the nation's output. It is one of the three primary ways to measure economic activity and is used to monitor growth and manage overall economic performance and stability.

178. (A) Human skills
Human skills involve the ability to work effectively with other people, build relationships, and lead teams through communication and motivation. These interpersonal skills are essential for managers at all levels as they must constantly interact with subordinates, peers, and superiors to achieve organizational goals. While technical and conceptual skills are also important, the ability to understand and influence human behavior is often what defines a successful leader. Developing these skills helps in creating a cooperative and productive work environment that values human potential.

179. (C) Premature evaluation or jumping to conclusions.
Psychological barriers to communication arise from the personal perceptions, emotions, and biases of the people involved. Premature evaluation occurs when a receiver stops listening and begins to judge the message before the sender has finished, leading to misunderstandings and incomplete information. Other barriers include a lack of trust, selective listening, and strong emotions that can distort the intended meaning. Overcoming these obstacles requires active listening, empathy, and a commitment to open and honest interaction to ensure that the message is received and understood.

180. (B) P-4, Q-3, R-1, S-2
Market structures range from perfect competition with many identical firms to monopoly with only one seller. Oligopoly is defined by the strategic interdependence of a few large firms, while monopolistic competition features many sellers with differentiated products. These different environments influence how companies compete, set prices, and manage their market share. Understanding these structures is essential for making strategic business decisions and for policymakers to ensure fair competition and protect consumer interests in the global marketplace.

181. (C) Spends more money on advertising its green credentials than on actual environmentally sound practices.
Greenwashing is a deceptive marketing practice where a company portrays itself as environmentally friendly while its actual operations continue to cause significant harm. This unethical behavior aims to appeal to conscious consumers and improve the corporate image without making the necessary investments in sustainability. It can mislead the public and undermine the efforts of truly environmentally responsible businesses. Identifying and exposing greenwashing is essential for maintaining corporate accountability and ensuring that environmental claims are backed by genuine action and measurable results.

182. (B) Policy
A policy is a standing plan that provides a general framework for decision-making and guides the actions of people within an organization. Unlike rules, which permit no discretion, policies allow managers to use their judgment to handle specific situations while staying within the company's overall goals. They help in ensuring consistency and fairness across different departments and levels of the hierarchy. Well-defined policies are essential for establishing a clear organizational

NODIA

culture and ensuring that all activities align with the firm's strategic objectives.

183. (B) I and II only
Informal communication channels, such as the grapevine and management-by-walking-around, arise spontaneously from social interactions and personal relationships in the workplace. These flows are not dictated by the formal organizational chart and can spread information quickly across various levels. In contrast, official memos and newsletters are formal channels used by management to transmit standardized information. While both types of communication are important, informal channels are particularly valuable for building social bonds and gauging the true sentiment of the workforce in an organization.

184. (A) Diminishes as we move down the curve.
The marginal rate of substitution is the rate at which a consumer is willing to trade one good for another while maintaining the same level of satisfaction. As the consumer gains more of one good, they are generally willing to give up less of the other, leading to a diminishing MRS along the indifference curve. This phenomenon explains the typical convex shape of these curves and reflects the realistic preferences of individuals. It is a fundamental concept in consumer theory for understanding trade-offs and equilibrium.

185. (C) An exclusive focus on short-term financial performance.
Value-based organizations are defined by a strong and shared system of core principles that guide their strategy, culture, and social responsibility. They prioritize long-term sustainability and ethical conduct over immediate financial gains at any cost. This alignment between values and actions helps in building deep trust with stakeholders and creating a motivated and committed workforce. While profitability is necessary, it is seen as a result of staying true to the organization's mission and principles rather than being the sole objective.

186. (A) Decoding
Decoding is the essential step in the communication process where the receiver translates the symbols and messages sent by the sender into a meaningful form. The success of the interaction depends on the receiver's ability to accurately interpret the intended meaning, which can be influenced by their own knowledge, background, and perceptions. Effective decoding is necessary to complete the communication loop and allow for meaningful feedback. If the message is misinterpreted, it can lead to confusion and incorrect actions within the organization.

187. (D) Statement I is false, but Statement II is true.
There is no single "correct" span of control that applies to all organizations, as the ideal number of subordinates depends on many factors. Task complexity, employee skills, the manager's ability, and the available technology all influence how many people one person can effectively supervise. While older theories suggested small numbers, modern organizations often use wider spans to improve flexibility and empower their workforce. The goal is to find the balance that allows for effective supervision without creating excessive hierarchical layers or communication delays.

188. (B) The leader giving the group complete freedom to make decisions.
A laissez-faire leadership style is characterized by a "hands-off" approach where the leader provides minimal guidance and allows the group to make their own choices. This style can be effective with highly skilled and motivated teams that are capable of working independently. However, it can also lead to a lack of direction and reduced performance if the group lacks the necessary expertise or discipline. Effective leaders choose their style based on the specific needs of their followers and the nature of the task.

189. (C) Inverse
The law of demand states that, all other things being equal, there is an inverse relationship between the price of a good and the quantity demanded by consumers. This means that when the price falls, demand typically increases, and when the price rises, demand falls. This fundamental principle is illustrated by a downward-sloping demand curve and is driven by the income and substitution effects. Understanding this relationship is essential for businesses when setting prices and for economists when analyzing market dynamics and consumer behavior.

Downloaded from www.pdf.tube

190. (D) The degree to which decision-making authority is retained at the top or delegated to lower levels.
Centralization and decentralization represent two different ways of distributing power and authority within an organization's hierarchy. In a centralized system, all important decisions are made by top management, while a decentralized structure pushes this authority down to lower levels and individual departments. The choice between these two depends on factors like the company's size, its environment, and the need for consistency versus flexibility. Most modern organizations use a combination of both to balance control with empowerment and speed of action.

191. (A) Both A and R are true and R is the correct explanation of A.
A clear organizational structure provides a necessary framework for the efficient functioning of any enterprise by defining the formal roles and reporting relationships. It clarifies who has the authority to make decisions and who is responsible for specific tasks, which helps in avoiding confusion and duplication of effort. By establishing these boundaries, the organization can coordinate its activities more effectively and ensure that everyone is working toward the same goals. A well-designed structure is fundamental for long-term stability and success.

192. (B) Suppliers
A company's microenvironment consists of the specific factors that directly affect its ability to serve its customers, such as its suppliers, competitors, and intermediaries. These groups have a close relationship with the firm and their actions can have an immediate impact on its daily operations and overall success. Unlike the macroenvironment, which includes broader trends like economic policy or technology, the microenvironment is more localized and specific to the industry. Managing these relationships is a key part of strategic planning and marketing.

193. (B) The fairness of the processes used to make decisions and allocate resources.
Procedural justice in business ethics focuses on the fairness and consistency of the methods used to make important organizational decisions. It is not just about the final outcome, but about ensuring that the steps taken to reach that outcome are transparent, objective, and unbiased. Employees are more likely to accept decisions, even unfavorable ones, if they believe the process was fair and that their voices were heard. Promoting procedural justice helps in building trust and fostering a positive and ethical organizational culture.

194. (A) I, II, and IV only
Managerial economics integrates various economic tools, such as demand analysis, cost theory, and market structure analysis, to help businesses make better decisions. These components provide a quantitative framework for understanding market dynamics and optimizing production and pricing strategies. While national income accounting and general management theories are related, they are not the primary focus of this specialized field. By applying these specific economic concepts, managers can improve their firm's efficiency and competitive position in a complex and data-driven global market environment.

195. (C) A very slow and gradual rise in the general price level.
Creeping inflation refers to a period where prices increase at a very low and predictable rate, typically in the single digits annually. This mild form of inflation is generally seen as a sign of a healthy economy and can even be beneficial for growth by encouraging investment and consumption. It is much easier to manage than the rapid and damaging price increases seen in galloping inflation or hyperinflation. Policymakers monitor creeping inflation carefully to ensure that it remains stable and does not accelerate.

196. (D) Concern for People and Concern for Production
The managerial grid is a leadership model that evaluates management styles based on two primary dimensions: concern for people and concern for production. By plotting these concerns on a grid, the model identifies five key leadership styles, ranging from impoverished management to team management. It suggests that the most effective leaders are those who can achieve high levels of both task performance and employee satisfaction. This framework helps managers

NODIA

understand their own leadership tendencies and develop more balanced and effective ways to lead their teams.

197. (C) Individualism
Henri Fayol's 14 principles of management provide a comprehensive framework for organizational design and administration, including concepts like division of work, unity of command, and equity. Individualism is not one of these principles; in fact, Fayol emphasized the subordination of individual interests to the overall goals of the organization. His principles focus on creating a harmonious and efficient work environment through order, discipline, and team spirit. These foundational ideas continue to influence how modern organizations are managed to achieve their long-term strategic objectives.

198. (B) Answerability for the final outcome.
While responsibility is the duty to perform a specific task, accountability is the ultimate answerability for the results of that task. It means being liable for the consequences of one's actions and decisions, whether they lead to success or failure. In an organizational hierarchy, authority and responsibility can be delegated, but a superior always remains accountable for the actions of their subordinates. Clear lines of accountability are essential for maintaining control and ensuring that organizational goals are met with integrity.

199. (D) Expresses a value judgment about what ought to be.
A normative statement in economics is one that is based on personal values, opinions, and judgments rather than purely on factual data. Unlike positive statements, which describe how the economy actually works, normative statements focus on how it should work or what policies are most desirable. These statements cannot be proven true or false through scientific testing but are a vital part of economic debate and policy formulation. They reflect the diverse perspectives on what constitutes a fair and effective economic system.

200. (B) P-3, Q-1, R-4, S-2
Various techniques are used to improve group decision-making, such as brainstorming for idea generation and the nominal group technique for prioritizing them through structured voting. The Delphi technique uses expert surveys to reach a consensus, while decision trees provide a graphical way to analyze choices and their potential outcomes. Each of these tools has unique strengths and is used in different situations to enhance creativity, objectivity, and logical analysis. Understanding these methods helps managers choose the right approach for solving complex organizational problems.

201. (C) II, I, III, IV
The evolution of management thought began with the classical approach, focusing on structural efficiency and productivity, followed by the human relations movement, which emphasized employee psychology and group dynamics. Later, the systems approach viewed organizations as complex sets of interrelated parts that interact with their environment. Finally, the contingency approach emerged, suggesting that the most effective management practices depend on specific situational variables. This progression reflects a growing understanding of the complexity and dynamic nature of modern organizational life and leadership.

202. (A) Delegation
Delegation is the managerial process of transferring authority and responsibility for specific tasks from a superior to a subordinate. It is essential for managing workload and developing the skills of lower-level employees within an organization. While authority is given to get the work done, the superior remains ultimately accountable for the final outcome. Effective delegation requires clear communication, trust, and a balance between providing freedom and maintaining control. It is a vital tool for improving organizational efficiency and fostering employee growth and empowerment.

203. (D) Unemployment benefits paid by the government
Transfer payments are financial transactions where money is redistributed without any corresponding exchange of goods or services, such as social security or unemployment benefits. Because these payments do not represent new production or value creation within the economy, they are excluded from the calculation of national

Click Here to Buy book on Amazon

income to avoid double counting. National income only includes earnings from productive activities, like wages, interest, rent, and profit. This distinction ensures that the measure accurately reflects the actual economic output and wealth generated during a given period.

204. (A) Both Statement I and Statement II are true.
Horizontal communication involves the exchange of information between individuals or departments that are at the same hierarchical level within an organization. It is vital for coordinating activities, solving problems, and ensuring that different units work together toward shared goals. Without this lateral flow, organizations can become siloed, leading to inefficiencies and conflict between departments. Encouraging open horizontal communication helps in building a more integrated and cooperative work environment that can respond quickly to challenges and opportunities.

205. (C) Oligopoly
A cartel is a formal agreement among competing firms in an oligopolistic market to coordinate their pricing and output decisions to increase their collective profits. By acting like a single monopolist, the firms can reduce competition and keep prices high, which is often illegal in many jurisdictions due to its negative impact on consumers. Cartels are most common in industries with a small number of large players where strategic interdependence is high. Maintaining a cartel is challenging as individual members often have an incentive to cheat.

206. (D) It involves trading based on non-public, material information, giving an unfair advantage.
Insider trading is unethical because it allows individuals with access to confidential corporate information to profit at the expense of other investors who do not have that same knowledge. This practice undermines the fairness and integrity of the financial markets and erodes public trust in the corporate system. Most countries have strict laws to prevent and punish insider trading to ensure a level playing field for all market participants. Maintaining transparency and ethical conduct is essential for the healthy functioning of global financial systems.

207. (A) I, II, and IV only
Planning is the foundational management function that involves setting organizational goals and determining the best strategies to achieve them. It is an ongoing and pervasive process performed by managers at all levels of the hierarchy, not just the top. Effective planning helps in reducing uncertainty and risk by allowing the organization to anticipate and prepare for future changes in the environment. While it provides a structured guide for action, it must remain flexible enough to adapt to new and unexpected challenges and opportunities.

208. (B) Law is the minimum standard of behavior, while ethics represents a higher standard.
Laws are formal rules enforced by society to maintain order and provide a basic standard for conduct, but being ethical often means going beyond what is strictly required by law. Ethics involves making moral judgments about what is right and fair, even when no legal rule exists to guide the action. For a business, following the law is necessary for survival, but practicing high ethical standards is essential for building a strong reputation and long-term trust with stakeholders. This commitment distinguishes truly responsible organizations from others.

209. (B) A vertical straight line.
When the price elasticity of demand is zero, it means that the quantity demanded does not change at all, regardless of any movements in the price of the good. This perfectly inelastic demand is represented graphically by a vertical straight line, showing that consumers will continue to buy the same amount even if the price rises significantly. This rare situation typically occurs with absolute necessities for which there are no substitutes, such as life-saving medications. For firms, this means they have significant power to set prices.

210. (A) Unity of Direction
The principle of unity of direction suggests that all activities within an organization that have the same objective should be led by one manager using a single, cohesive plan. This ensures that all efforts are coordinated and focused on the same goal, preventing conflict and duplication of work between different units. It is essential for achieving organizational harmony and efficiency.

Downloaded from www.pdf.tube

While unity of command focuses on individual employees, unity of direction addresses the alignment of broader organizational activities and strategic goals.

211. (A) Both A and R are true and R is the correct explanation of A.
The board of directors is a central component of corporate governance, acting as the ultimate authority for overseeing the management and direction of a company. Their primary responsibility is to ensure that the firm is managed ethically and in the best interests of its shareholders and other stakeholders. By providing strategic guidance and holding management accountable, the board helps in maintaining corporate integrity and long-term sustainability. The direct link between the board's oversight role and effective governance is a fundamental principle of modern business systems.

212. (D) Ability to motivate and communicate effectively.
Human skills are the interpersonal abilities that allow a manager to work effectively with others, build strong teams, and lead people toward organizational goals. These include the ability to communicate clearly, listen actively, and provide the motivation and support needed for high performance. While technical and conceptual skills are also important, the "human" element is often the most critical factor in a manager's overall success. Developing these skills helps in creating a positive and productive work environment that values and empowers every individual member of the organization.

213. (C) Environmental scanning
Environmental scanning is the strategic process of gathering and analyzing information about the external environment to identify potential opportunities and threats. This includes monitoring trends in technology, politics, the economy, and society that could impact the organization's future success. By staying informed about these changes, managers can develop proactive strategies and adjust their plans to maintain a competitive advantage. It is a vital part of strategic management and helps the organization to adapt and grow in a dynamic and uncertain global marketplace.

214. (C) I, II, and IV only
Several factors can hinder effective communication within an organization, such as semantic problems caused by technical jargon or the premature evaluation of a message by the receiver. Significant status differences between the sender and receiver can also create a barrier that prevents open and honest interaction. A clear and direct channel, on the other hand, is a facilitator that helps in ensuring that the message is transmitted and received accurately. Overcoming these barriers is essential for maintaining clear communication and ensuring organizational success.

215. (D) Spontaneously from the social interactions and personal relationships among employees.
The informal organization consists of the unofficial social networks and personal relationships that develop naturally within any workplace. It exists alongside the formal structure and can have a significant influence on employee behavior, motivation, and the flow of information. While it is not created by management, the informal organization can either support or hinder the company's official goals. Understanding and working with these social networks is a vital part of effective management and building a cohesive and productive organizational culture.

NODIA

216. (A) Net Indirect Taxes (Indirect Taxes - Subsidies)
In national income accounting, the value of production can be measured at either factor cost or market price. Market price is the price paid by consumers and includes the effect of indirect taxes and government subsidies. Factor cost, on the other hand, represents the actual payments made to the producers. To get from market price to factor cost, one must subtract net indirect taxes. This adjustment is necessary to understand the true value of production without the distortion of government taxes and subsidies.

217. (C) P-3, Q-4, R-1, S-2
Utilitarianism focuses on the collective good, while deontology emphasizes duties and rules regardless of the outcome. Virtue ethics looks at the character of the individual, and whistle-blowing involves exposing wrongdoing within an organization for the public benefit. These ethical concepts provide different frameworks for analyzing moral dilemmas and making

responsible decisions in a business context. Understanding these diverse perspectives is essential for ethical leadership and developing a comprehensive approach to corporate social responsibility and professional integrity in the workplace.

218. (A) Vertically in a direct line from top to bottom.
In a line organization, authority is distributed in a simple and direct vertical path from the highest levels of management down to the individual employees. This clear chain of command ensures that every person knows exactly who their superior is and who they are responsible for supervising. While this structure is easy to understand and maintain, it can become rigid and may lack the specialized expertise needed for complex tasks. It is most common in smaller businesses where simple and direct control is most effective.

219. (B) Interest rates are extremely low, and monetary policy becomes ineffective.
A liquidity trap occurs when interest rates are so low that individuals prefer to hold cash rather than invest it in bonds or other assets. In this situation, the central bank's efforts to stimulate the economy by further reducing rates or increasing the money supply have little to no effect. This phenomenon can lead to a period of economic stagnation where traditional monetary policy tools fail to boost demand. Understanding the liquidity trap is vital for policymakers when dealing with deep recessions or persistent deflationary pressures.

220. (B) Defining the organization's mission and goals
The strategic management process logically begins with establishing a clear sense of purpose through the definition of the organization's mission and long-term goals. This foundational step provides the direction and criteria for all subsequent strategic choices and actions. Once the goals are set, managers can proceed with analyzing the environment, formulating strategies, and implementing plans. Without a clear mission, the organization would lack the focus needed to coordinate its activities and achieve a sustainable competitive advantage in a complex and dynamic marketplace.

221. (C) Staff authority
Staff authority is the right given to specialists and experts within an organization to provide advice, recommendations, and support to line managers. Unlike line authority, which involves direct command and control, staff authority is based on knowledge and expertise in a specific functional area, such as human resources or legal affairs. This relationship allows the organization to utilize specialized information while maintaining a clear chain of command for operational decisions. Effective coordination between line and staff personnel is essential for managing complex modern enterprises.

222. (D) Zero.
In economic theory, marginal utility is the change in total satisfaction gained from consuming one additional unit of a good. As consumption increases, total utility rises, but at a decreasing rate due to the law of diminishing marginal utility. When the total utility reaches its absolute maximum, the consumer can gain no more satisfaction from another unit, meaning the marginal utility has fallen to zero. Any further consumption beyond this point would actually lead to a decrease in total utility and a negative marginal utility.

223. (A) Strict and uniform control from the top.
Decentralization offers many benefits, such as faster decision-making and improved motivation for lower-level managers who are empowered to handle their own areas. It also helps in developing future leadership talent by giving more people the chance to gain management experience early in their careers. However, decentralization typically leads to less uniform control from the top, as individual units may develop their own ways of working. Finding the right balance between delegation and maintaining overall organizational consistency is a key challenge for any major business.

224. (B) Upward communication
An open-door policy is a management communication strategy designed to encourage employees to share their ideas, concerns, and feedback directly with senior leadership. By removing formal barriers to communication, it promotes a flow of information from the lower levels of the organization to the top. This upward

Click Here to Buy book on Amazon

flow is vital for management to understand employee sentiment and identify operational problems early on. It helps in building a more transparent and inclusive organizational culture where every individual feels that their voice can be heard by those in authority.

225. (B) Rules are specific statements that permit no discretion, while policies are general guidelines for decision-making.
Rules and policies are both types of plans that guide behavior, but they differ in the amount of freedom they allow for individual judgment. Rules are rigid and specific, stating exactly what must or must not be done in a given situation, such as a "no smoking" rule. Policies, on the other hand, provide a broader framework for thinking and allow managers to use their discretion to reach a decision that fits the circumstances. Both are necessary for maintaining order and achieving organizational goals with consistency.

226. (A) Presenting company accounts in an overly favorable light to mislead stakeholders.
Window dressing is an unethical practice in corporate reporting where a company manipulates its financial statements to appear more successful or stable than it truly is. This can involve timing transactions or using creative accounting techniques to hide problems and mislead investors and creditors. Such behavior erodes trust in the financial system and can lead to severe legal and reputational consequences for the firm and its management. Maintaining honesty and transparency in all financial disclosures is a fundamental principle of good corporate governance and ethics.

227. (A) Both A and R are true and R is the correct explanation of A.
Coordination is an essential management function at every level of an organization because it ensures that the diverse efforts of individual employees are aligned with the overall goals. Without effective coordination, different departments may work at cross-purposes, leading to conflict and wasted resources. By synchronizing these activities, management can create a cohesive and efficient operation where the total output is greater than the sum of its individual parts. The vital link between integrating individual effort and achieving organizational success makes coordination the essence of management.

228. (D) Leadership is committed to and models the stated values.
In a value-based organization, the commitment of leadership is vital because they serve as the role models for the entire company. When leaders consistently act according to the stated ethical principles, it reinforces those values throughout the organizational culture and builds trust with employees and stakeholders. These values are not just for display; they guide every major decision and daily action within the firm. This alignment between words and behavior is essential for creating an authentic and principled organization that can achieve long-term sustainability and respect.

NODIA

229. (C) A straight line with a negative slope.
When two goods are perfect substitutes, the consumer is always willing to trade them at a constant rate, regardless of how much they already have. This results in a marginal rate of substitution that is constant along the entire indifference curve, making the curve a straight line with a negative slope. This reflects the idea that the consumer treats the two products as being essentially identical for their purposes. This shape is a special case in consumer theory, contrasting with the typical convex curves seen for most goods.

230. (B) Depends on the situation, the followers, and the task.
Contingency leadership theories argue that no single leadership style is best for every situation, as the most effective approach depends on several situational variables. These include the personality and skill levels of the followers, the nature of the task being performed, and the level of authority held by the leader. A style that works well in a crisis might be ineffective for long-term project planning. Effective leaders are those who can adapt their behavior to fit the unique needs and constraints of their current organizational environment.

231. (C) A mechanistic or bureaucratic organization
A mechanistic organization is characterized by a high degree of formalization, rigid hierarchy, and narrow spans of control, designed to ensure

maximum efficiency in a stable environment. These bureaucratic structures rely on standardized processes and clear lines of command to direct employee behavior and maintain order. While this design is highly efficient for routine tasks, it can be slow to adapt to change and may hinder creativity and individual initiative. It contrasts with more organic or adaptive structures that are better suited for dynamic and uncertain business environments.

232. (D) Use their position for personal gain.
An ethical leader is expected to act with integrity and prioritize the interests of the organization and its stakeholders over their own personal gain. They serve as a moral compass for the company, communicating high standards and ensuring that they are followed at all levels of the hierarchy. By modelling ethical behavior and disciplining those who violate it, they help in building a culture of trust and responsibility. Using a leadership position for personal benefit is a direct violation of these ethical principles and can damage the organization's integrity.

233. (C) Match price decreases but not price increases.
The kinked demand curve model of oligopoly assumes that firms will react differently to price changes by their rivals based on the impact on market share. If a firm lowers its price, others will match the decrease to avoid losing customers, resulting in a relatively inelastic demand. However, if a firm raises its price, rivals will not follow, hoping to gain the first firm's customers, which makes the demand curve more elastic for price increases. This strategic behavior creates the characteristic "kink" at the current price level.

234. (A) Focus their attention on significant deviations from standards.
Management by exception is a control principle suggesting that managers should only intervene when there is a significant difference between actual performance and the established standards. By focusing on these major deviations, managers can use their time and resources more efficiently, rather than trying to control every minor detail of daily operations. This approach empowers subordinates to handle routine tasks on their own and only escalate important issues. It helps in maintaining high levels of oversight while promoting employee autonomy and organizational effectiveness in the firm.

235. (D) The number of hierarchical levels (tall vs. flat structure).
The span of control is the number of subordinates reporting to a single manager, and it has a direct impact on the overall height and width of an organization's structure. A narrow span means each manager oversees few people, requiring more layers of management and resulting in a "tall" hierarchy. A wide span allows for fewer levels, creating a "flat" structure that can improve communication and flexibility. Choosing the appropriate span is a key decision in organizational design that affects both the cost and the quality of supervision.

236. (B) The value added at each stage of production in the economy.
The value-added method of calculating national income sums the contribution made by each firm at every step of the production process. By subtracting the cost of intermediate goods from the final value of the product, this method identifies the actual wealth created at each stage. This approach avoids the problem of double counting and provides a clear view of which industries are contributing most to the overall economy. It is one of the three primary ways to measure total economic output and national income.

237. (C) Processing a customer's request for a refund based on a standard company policy.
Programmed decisions are those that are made in response to routine and repetitive situations, for which a standard procedure or rule has already been established. These decisions are relatively simple and do not require significant judgment or creativity, as the correct path is clearly defined by company policy. This allows for efficiency and consistency in handling daily operations. In contrast, non-programmed decisions deal with unique and complex problems that require a custom-made solution and careful analysis by management.

238. (C) Statement I is true, but Statement II is false.
Responsibility is the obligation to perform a task, while authority provides the legitimate power needed to carry it out. For effective delegation, it

Downloaded from www.pdf.tube

is widely agreed that the authority granted to a subordinate should be equal to the responsibility they are assigned. If authority is less than responsibility, the person may not have the power to succeed, while too much authority can lead to misuse. Balancing these two elements is essential for ensuring that tasks are completed efficiently and with proper accountability.

239. (A) Ensuring fair labor practices and promoting employee well-being.
The social pillar of Corporate Social Responsibility focuses on the company's relationship with its employees and the community, including ensuring fair wages and safe working conditions. It also involves promoting diversity, supporting employee development, and contributing to the social well-being of the areas where the company operates. By recognizing these social obligations, firms can build a more motivated workforce and a positive reputation as a responsible corporate citizen. This approach moves beyond purely economic goals to consider the long-term human impact of the business operations.

240. (B) P-3, Q-4, R-1, S-2
Management thought has been shaped by many pioneers, including F.W. Taylor who developed scientific management and Henri Fayol who focused on administrative principles. Max Weber introduced the concept of bureaucracy, while Elton Mayo's Hawthorne studies highlighted the importance of human relations in the workplace. These diverse theories provide the foundation for modern management and organizational design. Understanding the contributions of these thinkers is essential for any student of management, as it provides a clear historical context for current practices and future trends in leadership.

241. (B) Peter F. Drucker
Peter Drucker is often called the father of modern management and is known for his forward-thinking ideas on management by objectives and the rise of the "knowledge worker." He emphasized that in the modern economy, knowledge is the most valuable resource and that the primary goal of management is to make this knowledge productive. His work shifted the focus of management from simple control to a more strategic and human-centered approach. Drucker's ideas continue to influence how organizations are managed and how leaders think about productivity, innovation, and social responsibility.

242. (A) Comparing the potential outcomes of different alternatives under various states of nature.
A payoff matrix is a quantitative decision tool that lists different alternatives and their potential financial or objective outcomes under various future conditions. By assigning a value to each combination of choice and state of nature, managers can clearly see the risks and rewards of each path. This matrix provides a structured way to handle uncertainty and choose the option that best meets the organization's goals. It is particularly useful for objective analysis when probabilities can be estimated and the potential payoffs are clearly defined.

243. (C) A decrease in total revenue.
When demand is price inelastic, consumers are relatively unresponsive to price changes, meaning that a decrease in price will not lead to a large enough increase in quantity sold to make up for the lower price per unit. As a result, the total revenue for the firm will fall. This relationship is critical for businesses to understand when making pricing decisions, as it helps them predict the impact on their overall financial performance. For inelastic goods, raising prices often leads to an increase in total revenue instead.

244. (D) Maintaining a network of outside contacts who provide information and favors.
In Mintzberg's interpersonal category of managerial roles, the liaison is responsible for building and maintaining relationships with people outside the manager's own department or organization. This role is essential for gathering information, securing resources, and building coalitions that can support the organization's goals. By acting as a link between their unit and the external world, the manager can ensure that they have the information and support needed to make effective decisions. Effective liaison work is vital for strategic management and organizational networking and coordination.

NODIA

245. (C) The degree of income or wealth inequality.
The Gini coefficient is a statistical measure of economic inequality that ranges from zero (perfect equality) to one (perfect inequality). It is derived from the Lorenz curve, which shows the actual distribution of income or wealth within a population compared to a perfectly equal distribution. A higher Gini coefficient indicates greater inequality. This measure is a key tool for economists and policymakers to monitor social well-being and assess the impact of taxes and social programs on the distribution of wealth and opportunities within a society.

246. (B) It allows for in-depth specialization and efficiency within functions.
A functional organizational structure organizes the company by grouping together employees who have similar skills or perform the same type of work, such as marketing or finance. This design allows for high levels of operational efficiency as specialists can focus on their specific domain and share their expertise with others in their department. It also provides a clear career path within the function. While it can lead to communication gaps between departments, its primary advantage is the deep specialization it fosters, which is essential for managing complex and technical operations.

247. (D) The benefits of free markets and self-interested behavior.
Adam Smith's "invisible hand" concept is a cornerstone of classical economic theory, suggesting that the pursuit of self-interest by individuals in a free market leads to the best overall outcome for society. It argues that market forces naturally coordinate the production and distribution of goods more efficiently than any government could. This idea remains a major justification for capitalist systems and the belief in the power of competition to drive innovation and lower prices. It emphasizes that a decentralized market is the best way to allocate limited resources effectively.

248. (A) Hyperinflation
Hyperinflation is an extreme and devastating economic condition where the prices of goods and services rise so quickly that the national currency loses its value almost entirely. This rapid loss of purchasing power can lead to the total collapse of the financial system and extreme hardship for the population. It is often caused by a massive increase in the money supply and a loss of confidence in the government's ability to manage the economy. Controlling hyperinflation requires drastic economic reforms and often the introduction of a new, more stable currency.

249. (A) I, II, and III only
Value-based organizations recognize that staying true to their core principles is a primary source of long-term success and a strong competitive advantage. These shared values shape every aspect of the organizational culture and guide the strategic decisions and daily behaviors of all employees. This alignment leads to higher levels of morale and commitment, as people feel they are part of a purposeful and principled enterprise. Unlike firms focused only on legal compliance, value-based organizations strive for a higher standard of ethical and social responsibility in all their operations.

250. (D) A is false but R is true.
Communication is not a one-way street; it is a dynamic and interactive process that requires both a sender and a receiver for information to be transferred effectively. For communication to be complete, the receiver must provide feedback, which allows the sender to confirm that the message was understood as intended. Without this feedback loop, the sender has no way of knowing if the communication was successful or if it was distorted by noise or misinterpretation. Effective interaction is essential for coordination, problem-solving, and achieving organizational success in the workplace.

251. (B) The Contingency theory
Contingency theory posits that no universal management style exists for every scenario. Instead, effective leadership depends on the specific context and internal or external circumstances facing the organization. This modern perspective encourages managers to analyze unique environmental factors before deciding on the most appropriate strategy, ensuring that actions remain flexible and relevant to current organizational needs.

Click Here to Buy book on Amazon

252. (A) Figurehead, Leader, Liaison
Mintzberg classifies managerial activities into three broad categories, with the interpersonal category focusing on maintaining professional relationships and symbolic duties. Specific roles within this group include the figurehead, who performs ceremonial tasks, the leader, who motivates and directs employees, and the liaison, who maintains a network of outside contacts and gatherers of information for the firm.

253. (C) Conceptual skills
Conceptual skills involve the mental ability to view the organization as a whole and understand how various parts work together strategically. These skills are vital for top-level executives because their primary responsibilities include long-term planning, problem-solving, and formulating complex strategies. Abstract thinking allows these leaders to navigate environmental changes and align the company with its future goals.

254. (D) The Classical approach emphasizes formal structure and efficiency, whereas the Human Relations approach prioritizes social and psychological factors.
The classical approach focuses heavily on maximizing operational efficiency through formalized structures, standardized processes, and clear hierarchies. In contrast, the human relations approach prioritizes the social and psychological well-being of employees, recognizing that worker satisfaction and interpersonal dynamics significantly influence productivity. This shift highlights a transition from viewing workers as mere tools to viewing them as social beings.

255. (C) It is a dynamic and cyclical series of interconnected functions.
Management is described as a complex process consisting of various interrelated functions like planning, organizing, and controlling. Rather than being a set of isolated tasks, these functions operate in a continuous cycle where each step informs the next. This dynamic nature ensures that the organization can adapt to changes while maintaining a coordinated effort toward achieving its specific objectives.

256. (B) Planning
Planning serves as the foundation of the management process by establishing objectives and outlining the specific strategies required to reach them. By determining future courses of action, it effectively acts as a bridge connecting the current reality of the organization to its intended goals. This intellectual process ensures that resources are utilized purposefully to achieve a desired outcome.

257. (D) Organizing
Organizing is the function responsible for arranging an organization's resources and activities into a logical framework. This process involves designing a formal structure of roles, assigning specific duties, and establishing clear authority-responsibility relationships among staff. By coordinating these elements, management ensures that the workforce can execute plans efficiently and understand their specific contributions within the larger organizational hierarchy.

258. (A) To measure performance against standards and initiate corrective actions.
Controlling functions as a monitoring mechanism within the management cycle to ensure that organizational activities align with established plans. This involves measuring actual performance levels, comparing those results against pre-determined standards, and implementing corrective actions when deviations occur. Through this evaluative process, management maintains oversight and guarantees that the organization remains on track toward achieving its primary strategic objectives.

259. (C) Planning, because it provides feedback for setting future objectives.
Controlling is inherently linked to planning because it evaluates the effectiveness of the initial strategies and goals established at the start of the management cycle. The data gathered during the control phase provides essential feedback that informs future planning efforts. This interdependency ensures a continuous loop of improvement, where past performance measurements directly influence the setting of new objectives.

NODIA

260. (A) It is essential for unifying individual and departmental efforts towards a common purpose. Coordinating acts as the unifying force that integrates the diverse activities of various departments and individuals within a firm. Its primary purpose is to ensure that all efforts are synchronized toward the achievement of common organizational goals. By promoting harmony and preventing the duplication of work or internal conflicts, coordination facilitates a seamless flow of operations across the entire enterprise.

261. (D) Semantic barrier
Semantic barriers occur when the meaning of a message is distorted due to problems with language, symbols, or word choice. Using ambiguous jargon or technical terms that the receiver does not understand prevents the accurate transmission of ideas. This type of obstruction focuses specifically on the encoding and decoding of linguistic elements, rather than the psychological state or organizational structure.

262. (B) The receiver's interpretation of the sender's message.
Decoding is the critical step in the communication process where the receiver translates and interprets the symbolic information sent by the source. This mental process allows the receiver to derive meaning from the message, whether it is verbal, written, or non-verbal. Effective decoding is essential for ensuring that the intended message of the sender matches the understanding of the recipient.

263. (C) It adheres to the established chain of command in an organization.
Formal communication is defined by its adherence to the officially established channels and hierarchical structure of an organization. This type of information flow typically follows the chain of command, ensuring that messages are documented and authorized. It serves to transmit official policies, instructions, and reports, maintaining order and accountability through professional interactions regulated by the organization's formal rules.

264. (D) Psychological barrier
Psychological barriers result from the emotional or mental state of the individuals involved in the communication process. When an employee experiences high levels of anxiety, stress, or a lack of attention, their ability to receive and process information accurately is significantly impaired. These internal factors can lead to misunderstandings or the total failure of a message to be correctly interpreted.

265. (A) It is an example of informal communication arising from social relationships.
The grapevine represents the informal communication network that exists within every organization, operating outside of official channels and the formal hierarchy. It develops naturally from the social interactions and relationships among employees. While it can spread information quickly, it is often based on personal connections rather than professional mandates, distinguishing it from the structured and authorized paths of formal communication.

266. (B) Establishing criteria for evaluation.
In the rational decision-making framework, once a problem has been clearly identified and defined, the next immediate phase is setting the standards for assessment. These criteria serve as the benchmarks against which all potential solutions will be measured. Establishing these parameters early ensures that the subsequent generation and evaluation of alternatives remain focused on the most relevant factors for success.

NODIA

267. (B) Delphi technique
The Delphi technique is a qualitative decision-making tool designed to reach a reliable group consensus on complex issues. It involves collecting opinions and feedback from a panel of experts through a series of anonymous questionnaires. By maintaining anonymity, the process reduces the influence of dominant personalities, allowing for an unbiased aggregation of expert knowledge to solve unstructured or difficult problems.

268. (A) Structured problems where relevant variables can be quantified.
Quantitative tools are most effective when applied to structured problems where the relevant variables are clearly defined and can be measured numerically. Techniques like linear programming

allow managers to use mathematical models to determine the best possible outcome, such as maximizing profit or minimizing costs. These methods provide objective, data-driven solutions for operational challenges that have quantifiable inputs and constraints.

269. (C) Evaluating the outcomes of the decision.
The decision-making process concludes with a critical evaluation phase where the actual results of the implemented choice are assessed. This final stage involves comparing the outcomes against the original objectives to determine the decision's overall effectiveness. This feedback loop is essential for identifying necessary adjustments and learning from the experience to improve future decision-making accuracy and organizational performance.

270. (D) It is a cyclical process that includes a feedback loop for evaluation.
Decision-making is a systematic and cyclical process rather than a one-time event. It involves a sequence of structured steps that start with problem identification and end with an evaluation of the chosen solution's performance. The inclusion of a feedback loop allows managers to continuously refine their choices, ensuring that the organization can adapt and learn from previous successes or failures.

271. (C) Span of control
Span of control is a fundamental concept in organizational design that determines how many subordinates are directly accountable to a single manager. This factor influences the number of hierarchical levels within a firm. A wider span typically leads to a flatter structure with fewer layers, while a narrower span results in more levels and a taller, more complex organization.

272. (B) Decision-making power is concentrated at the top of the hierarchy.
In a centralized organization, the authority to make key decisions is primarily held by top-level management. This structure ensures a high degree of control and consistency in policy implementation across all departments. By concentrating power at the peak of the hierarchy, the organization can maintain a unified direction, although it may slow down responsiveness to local or departmental issues.

273. (D) A manager with the obligation to perform a duty should also have the right to command the resources needed to do it.
The principle that authority must match responsibility ensures that individuals tasked with specific duties also possess the necessary power to carry them out effectively. If a manager is held accountable for an outcome, they must have the right to command resources and direct others to achieve it. This balance is crucial for maintaining organizational efficiency and ensuring individual accountability.

274. (A) Divisional structure
A divisional structure organizes an enterprise into separate, semi-autonomous units based on specific products, services, or geographic regions. This design allows each division to focus on its unique market demands and operational requirements. By grouping diverse functions under a single product line, such as consumer electronics, the organization can better tailor its strategies to the specific needs of different industries.

275. (C) Greater decentralisation
Decentralization occurs when an organization distributes decision-making authority away from a central core and toward lower-level or regional managers. This shift allows those closest to local operations or specific markets to make timely and relevant choices. By empowering regional heads, a company can increase its agility, improve employee motivation, and ensure that operational decisions reflect the specific needs of various areas.

276. (A) To apply economic theory to practical business decision-making.
Managerial economics functions as an applied science that integrates economic theories with business management practices. Its primary role is to provide a logical framework for solving practical problems related to resource allocation and risk. By using microeconomic concepts, it helps managers make rational and informed decisions that align the firm's operational activities with its overarching strategic and financial goals.

Downloaded from www.pdf.tube

277. (D) It aims to recommend specific courses of action to achieve business goals.
Being prescriptive means that managerial economics goes beyond merely explaining how economic systems work or describing past events. Instead, it focuses on offering concrete recommendations and strategies to help managers achieve specific goals, such as profit maximization or cost reduction. It provides the tools necessary to determine the best course of action to improve efficiency and overall organizational performance.

278. (B) It allows the firm to forecast the impact of price changes on its revenue.
Price elasticity of demand is a vital concept that measures how sensitive consumers are to changes in the price of a product. By understanding this relationship, a firm can accurately predict how adjustments in pricing will affect the total quantity sold and, consequently, its total revenue. This insight is essential for formulating effective pricing strategies that maximize financial returns.

279. (C) Corporate social responsibility
Managerial economics primarily focuses on the quantitative and theoretical aspects of business operations, such as production levels, pricing strategies, and resource allocation. While topics like market structure and demand are central to its framework, social concerns like corporate responsibility are generally not its core focus. It is designed to enhance profitability and efficiency through the application of microeconomic principles and analysis.

280. (D) To enhance efficiency and profitability by facilitating rational decisions.
The fundamental goal of applying managerial economics is to improve the overall performance of a firm by enabling more rational and data-driven decision-making. By utilizing systematic economic analysis, managers can better navigate uncertainty and allocate resources more effectively. This process ultimately leads to increased operational efficiency and higher profitability, ensuring the organization remains competitive within a complex and changing market.

281. (A) Combinations of two goods that yield the same level of satisfaction to a consumer.
An indifference curve is a graphical tool used in demand analysis to show different combinations of two products that provide a consumer with an equal level of total utility or satisfaction. Because every point on the curve represents the same level of well-being, the consumer is indifferent between any of the combinations shown, helping to explain preferences and trade-offs.

282. (B) The Indifference Curve
The ordinal approach to utility analysis assumes that consumers can rank their preferences even if they cannot measure satisfaction in absolute units. This conceptual framework led to the development of the indifference curve, which visually represents these rankings. It allows economists and managers to analyze consumer behavior and the substitution between goods without needing to assign specific numerical values to utility.

283. (B) Elasticity
Elasticity is the primary concept used to measure the responsiveness of quantity demanded to a change in price. By calculating this value, a company can determine the degree to which consumers will adjust their purchasing behavior if prices are raised or lowered. This information is essential for making informed decisions about pricing strategy and for predicting potential changes in revenue.

284. (A) To estimate future demand for planning and strategic purposes.
Demand forecasting involves using historical data and market analysis to estimate the future consumption of a product or service. This predictive process is vital for various management activities, including production planning, inventory management, and long-term strategic investment. By anticipating future market needs, firms can allocate their resources more effectively and prepare for shifts in consumer demand before they occur.

285. (C) The consumer is willing to give up less and less of one good to get more of another.
The convexity of an indifference curve to the origin illustrates the principle of diminishing marginal rate of substitution. This means that as

NODIA

a consumer obtains more of one good, they are willing to give up increasingly smaller amounts of a second good to acquire additional units of the first. It reflects the reality that consumer preferences often involve a balanced mix.

286. (D) Perfect competition
In a perfectly competitive market, the presence of numerous small firms and identical products means that no single business has the power to influence the market price. Consequently, firms must accept the price determined by the overall forces of market supply and demand. This role as a price taker is a defining characteristic that sets this structure apart from others.

287. (C) The presence of product differentiation.
While both perfect competition and monopolistic competition involve many sellers, the key difference lies in the nature of the products sold. In monopolistic competition, firms offer differentiated products that are not perfect substitutes. This differentiation, achieved through branding, quality, or marketing, grants each firm a limited degree of control over its pricing, unlike the homogeneous products found in perfect competition.

288. (B) Oligopoly
Interdependence is a defining feature of an oligopoly, where a small number of large firms dominate the market. Because each firm's decisions regarding price and output significantly impact its competitors, they must act strategically. This environment often leads to complex behaviors, such as price leadership or collusion, as firms carefully consider the potential reactions of their rivals to any move.

289. (D) A monopoly
A monopoly exists when a single company is the sole provider of a product or service for which there are no close substitutes. High barriers to entry prevent competitors from joining the market, giving the monopolist significant power to determine prices and output levels. This market structure represents the opposite extreme of perfect competition due to the total lack of rivalry.

290. (A) By the intersection of overall market supply and demand.
In a perfectly competitive market, individual firms have no influence over the cost of goods and must adhere to the prevailing market rate. The equilibrium price is established solely by the intersection of aggregate market supply and aggregate demand. All sellers in this environment are price takers, meaning they can sell as much as they want at this market price.

291. (C) GDP considers production within a country's borders, whereas GNP includes income from abroad earned by residents.
Gross Domestic Product and Gross National Product are both measures of economic activity but differ in their geographic and demographic scope. The former focuses on the total value of goods and services produced specifically within a nation's borders. In contrast, the latter includes the income earned by all residents of a country, regardless of where that production occurred.

292. (A) Cost-push inflation
Cost-push inflation occurs when the overall price level rises due to increases in the costs of essential production inputs. When expenses for raw materials, energy, or labor go up, manufacturers often pass these higher costs on to consumers in the form of higher prices. This type of inflation is driven by supply-side factors rather than changes in consumer demand levels.

293. (D) The income method
The income method is one of the primary techniques for calculating national income by aggregating all the earnings generated by the factors of production. This involves summing up all wages, rents, interest, and profits earned by individuals and businesses within an economy over a specific timeframe. It provides a comprehensive view of how the total value of production is distributed as income.

294. (B) A sustained increase in the general price level, reducing purchasing power.
Inflation is defined as a persistent and sustained increase in the general level of prices for goods and services across an economy. As prices rise, the purchasing power of the national currency decreases, meaning each unit of money buys fewer items than before. This phenomenon is

Click Here to Buy book on Amazon

measured over time and reflects broad economic trends rather than changes in individual product prices.

295. (C) Demand-pull inflation
Demand-pull inflation occurs when the total demand for goods and services in an economy exceeds the available supply or productive capacity. This "too much money chasing too few goods" scenario causes prices to rise as consumers compete for limited products. It is typically associated with strong economic growth, high employment levels, and an increase in the overall money supply.

296. (D) To provide a system of rules and processes for directing and controlling the firm to ensure accountability and transparency.
Corporate governance establishes the formal framework of rules, practices, and processes used to direct and control an organization. Its primary function is to ensure that the company operates with a high degree of accountability, fairness, and transparency in its dealings with all stakeholders. A robust governance system is essential for preventing misconduct and aligning management actions with interests of shareholders.

297. (A) Ethics pertains to individual moral principles, whereas CSR is the organization's broader commitment to societal and environmental well-being.
Business ethics focuses on the application of moral principles and values to specific business behaviors and decisions regarding right and wrong. Corporate Social Responsibility is a broader concept that describes an organization's voluntary commitment to contributing to societal goals and environmental sustainability. While ethics guides individual and institutional conduct, CSR represents the firm's overall impact on the planet.

298. (B) Ethical dilemma
An ethical dilemma occurs when a decision-maker is faced with a choice between multiple courses of action, each of which involves conflicting moral obligations. In situations where every possible option has significant negative consequences or pits one ethical value against another, managers must carefully weigh their responsibilities. Resolving these complex challenges requires a deep understanding of core values and ethical principles.

299. (B) Its culture and strategy are fundamentally guided by a set of explicit core values.
A value-based organization is characterized by having a set of explicitly stated core values that serve as the foundation for its entire corporate identity. These values actively guide the firm's culture, long-term strategy, and daily operational decisions at every level. By aligning the workforce toward a shared ethical purpose, the organization ensures that its mission transcends mere profit-seeking activities.

300. (A) Strong corporate governance can help in upholding business ethics and preventing misconduct.
Corporate governance and business ethics are closely linked, as the former provides the structural framework necessary to uphold the latter. A strong system of governance ensures that there are rules and processes in place to maintain transparency and accountability, which helps prevent ethical lapses. By institutionalizing moral standards, corporate governance fosters an environment where ethical behavior becomes standard practice.

www.nodia.in

NODIA

CHAPTER 02

Organisational Behaviour and Human Resource Management

1. Which of the following best defines Organisational Behaviour (OB)?
(A) The study of organisational financial resource management.
(B) The study of individual, group, and structural impacts.
(C) The study of employee recruitment and training systems.
(D) The study of competitive strategies and market trends.

2. Which of the following is NOT considered a fundamental contributing discipline to Organisational Behaviour?
(A) Engineering
(B) Psychology
(C) Sociology
(D) Anthropology

3. Read the following statements and choose the correct option.
Statement I: The autocratic model of OB depends on power and authority.
Statement II: The collegial model of OB depends on creating a feeling of partnership with employees.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

4. The 'Hawthorne Studies' are most closely associated with which approach to organisational behaviour?
(A) The scientific management approach
(B) The contingency approach
(C) The systems approach
(D) The human relations approach

5. Match List I with List II and select the correct answer using the codes given below.
List I: (OB Model)
P. Autocratic
Q. Custodial
R. Supportive
S. Collegial
List II: (Basis of Model)
1. Leadership
2. Partnership
3. Power
4. Economic Resources
Codes:
(A) P-3, Q-4, R-1, S-2
(B) P-4, Q-3, R-2, S-1
(C) P-3, Q-1, R-4, S-2
(D) P-1, Q-2, R-3, S-4

6. Which statement concerning personality is incorrect?
(A) Personality is the sum total of ways in which an individual reacts to and interacts with others.
(B) Personality is generally considered to be static and unchangeable after adolescence.
(C) Personality is influenced by both heredity and environmental factors.
(D) Personality can be measured through various tests and self-report surveys.

7. In the context of the Big Five Personality Model, a person who is described as responsible, dependable, persistent, and organized would score high on which dimension?
(A) Extraversion
(B) Agreeableness
(C) Emotional Stability
(D) Conscientiousness

Downloaded from www.pdf.tube

8. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Perception is the process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment.
Reason (R): What one perceives can be substantially different from objective reality.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

9. The tendency to draw a general impression about an individual on the basis of a single characteristic is known as:
(A) Stereotyping
(B) Projection
(C) Halo Effect
(D) Contrast Effect

10. Consider the following values:
a. A comfortable life
b. Amb ambition
c. A sense of accomplishment
d. Honesty
e. Self-respect
Which of the above are considered terminal values according to Rokeach's Value Survey?
(A) a, b, and d only
(B) a, c, and e only
(C) b, d, and e only
(D) c, d, and e only

11. An individual's feeling or affective component towards an object or person represents which component of an attitude?
(A) Cognitive component
(B) Behavioural component
(C) Intentional component
(D) Affective component

12. The state of inconsistency between an individual's attitudes and their behaviour is termed as:
(A) Affective Ambiguity
(B) Cognitive Dissonance
(C) Behavioural Discrepancy
(D) Attitudinal Conflict

13. Consider the following statements about learning:
a. Learning involves a relatively permanent change in behaviour.
b. Learning can occur through direct experience.
c. Changes in behaviour due to maturation are considered a form of learning.
d. Learning is not always directly observable.
Which of the above statements are correct?
(A) a, b, and c only
(B) a, c, and d only
(C) b, c, and d only
(D) a, b, and d only

14. A manager praises an employee for a well-written report. This is an example of which type of reinforcement?
(A) Negative Reinforcement
(B) Punishment
(C) Extinction
(D) Positive Reinforcement

NODIA

15. Arrange the stages of the perception process in the correct chronological order:
1. Interpretation and Evaluation
2. Selection
3. Organisation
4. Response
5. Stimulation/Receiving
Select the correct sequence from the options given below.
(A) 5, 2, 3, 1, 4
(B) 5, 3, 2, 1, 4
(C) 2, 5, 3, 1, 4
(D) 2, 3, 1, 5, 4

16. Read the following statements and choose the correct option.
Statement I: In classical conditioning, a conditioned stimulus is paired with an unconditioned stimulus.
Statement II: In operant conditioning, behaviour is a function of its consequences.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is

incorrect.
(D) Statement I is incorrect, but Statement II is correct.

17. In Maslow's Hierarchy of Needs theory, which of the following is the highest-level need?
(A) Safety needs
(B) Self-actualization needs
(C) Esteem needs
(D) Social needs

18. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): According to Herzberg's Two-Factor Theory, factors causing job satisfaction are different from those causing job dissatisfaction.
Reason (R): The opposite of 'satisfaction' is 'no satisfaction', and the opposite of 'dissatisfaction' is 'no dissatisfaction'.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

19. Which theory of motivation suggests that specific and challenging goals, along with feedback, lead to higher performance?
(A) Equity Theory
(B) Expectancy Theory
(C) Goal-Setting Theory
(D) Reinforcement Theory

20. Consider the following characteristics:
a. It is designated by the organisation's structure.
b. It is formed naturally in the work environment.
c. It has designated work assignments and established tasks.
d. It emerges in response to the need for social contact.
e. Its behaviour is stipulated by and directed toward organisational goals.
Which of the above are characteristics of a formal group?
(A) a, b, and d only
(B) b, c, and d only
(C) a, c, and e only
(D) c, d, and e only

21. The stage in the five-stage group-development model which is characterized by intragroup conflict is known as:
(A) Forming
(B) Norming
(C) Storming
(D) Performing

22. A company forms a group of employees from different departments such as marketing, finance, and operations to work on a new product launch. This is an example of a:
(A) Command group
(B) Task group
(C) Interest group
(D) Friendship group

23. Match List I with List II and select the correct answer using the codes given below.
List I: (Motivation Concept)
P. Expectancy
Q. Instrumentality
R. Valence
S. Equity
List II: (Description)
1. The perceived fairness of outcomes.
2. The value an individual places on a particular outcome.
3. The belief that performance will lead to a desired outcome.
4. The belief that effort will lead to a certain level of performance.
Codes:
(A) P-4, Q-3, R-2, S-1
(B) P-3, Q-4, R-1, S-2
(C) P-4, Q-2, R-3, S-1
(D) P-1, Q-3, R-2, S-4

24. The phenomenon where individuals exert less effort when working collectively than when working individually is called:
(A) Social Loafing
(B) Groupthink
(C) Group Cohesiveness
(D) Social Facilitation

25. Which of the following is NOT a core dimension of team effectiveness?
(A) Context

Click Here to Buy book on Amazon

(B) Composition
(C) Compensation
(D) Process

26. Which of the following statements about team building is incorrect?
(A) It is a one-time activity that guarantees long-term team success.
(B) Team building aims to improve the effectiveness of work groups.
(C) It focuses on both task performance and interpersonal relationships.
(D) Activities can include goal setting, role clarification, and problem-solving.

27. The ability to influence a group toward the achievement of a vision or set of goals is known as:
(A) Management
(B) Power
(C) Authority
(D) Leadership

28. Which of the following leadership theories focuses on the personal qualities and characteristics that differentiate leaders from non-leaders?
(A) Behavioural Theories
(B) Trait Theories
(C) Contingency Theories
(D) Path-Goal Theory

29. Consider the following leadership behaviours:
a. Employee-oriented
b. Initiating Structure
c. Production-oriented
d. Consideration
e. Laissez-faire
Which of the above behaviours were identified by the Ohio State Studies?
(A) a and c only
(B) b and d only
(C) a and d only
(D) b and e only

30. According to the Hersey and Blanchard's Situational Leadership Theory, which leadership style is appropriate for followers who are unable but willing?
(A) Telling (high task-low relationship)
(B) Participating (low task-high relationship)
(C) Delegating (low task-low relationship)
(D) Selling (high task-high relationship)

31. Read the following statements and choose the correct option.
Statement I: Charismatic leadership theory suggests that followers attribute heroic or extraordinary leadership abilities when they observe certain behaviours.
Statement II: Transformational leaders inspire followers to transcend their own self-interests for the good of the organisation.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

32. The 'grapevine' in an organisation is an example of:
(A) Formal communication channel
(B) Informal communication channel
(C) Downward communication
(D) Upward communication

33. Which set of concepts is central to Transactional Analysis?
(A) Id, Ego, Superego
(B) Parent, Adult, Child
(C) Conscious, Preconscious, Unconscious
(D) Self-concept, Ideal self, Real self

34. A transaction where the ego states of the sender and receiver are complementary, and the response is expected and natural, is known as a:
(A) Complementary Transaction
(B) Crossed Transaction
(C) Ulterior Transaction
(D) Duplex Transaction

35. Consider the following positions:
a. I'm OK, You're OK
b. I'm OK, You're not OK
c. I'm not OK, You're OK
d. I'm not OK, You're not OK
e. I'm OK, You're neutral
Which of the above are considered 'Life Positions' in Transactional Analysis?

Downloaded from www.pdf.tube

(A) a, b, and c only
(B) b, c, and d only
(C) a, c, d and e only
(D) a, b, c, and d only

36. "A system of shared meaning held by members that distinguishes the organisation from other organisations" is the definition of:
(A) Organisational Climate
(B) Organisational Structure
(C) Organisational Design
(D) Organisational Culture

37. A strong organisational culture is most likely to result in:
(A) Higher employee turnover
(B) Lower employee commitment
(C) Lower behavioural control
(D) Greater ambiguity about roles

38. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Organisational culture is a descriptive term, whereas job satisfaction is an evaluative term.
Reason (R): Organisational culture describes how employees perceive the characteristics of an organisation, not whether they like them.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

39. The process through which a new employee learns and adapts to the organisational culture is known as:
(A) Recruitment
(B) Onboarding
(C) Mentoring
(D) Socialization

40. Arrange the stages of organisational socialization in the correct sequence:
1. Encounter
2. Metamorphosis
3. Prearrival
Select the correct sequence from the options given below.
(A) 1, 2, 3
(B) 3, 1, 2
(C) 2, 1, 3
(D) 3, 2, 1

41. Which of the following is NOT a primary characteristic of organisational culture?
(A) Innovation and risk-taking
(B) Attention to detail
(C) Financial profitability
(D) Outcome orientation

42. Organisational climate can be best described as:
(A) The perceptions that employees have about their work environment.
(B) The unwritten rules and norms of an organisation.
(C) The formal structure and hierarchy of the organisation.
(D) The long-term vision and mission of the organisation.

43. A manager who operates in a multicultural environment and needs to adapt their leadership style based on the cultural norms of their team is dealing with the challenges of:
(A) Work Force Diversity
(B) Organisational Justice
(C) Stress Management
(D) Cross-Cultural Organisational Behaviour

44. Hofstede's cultural dimension that describes the degree to which people in a country prefer structured over unstructured situations is:
(A) Power Distance
(B) Uncertainty Avoidance
(C) Individualism vs. Collectivism
(D) Masculinity vs. Femininity

45. Consider the following statements about work force diversity:
a. It refers to the ways in which people in an organisation are different from one another.
b. It is limited to differences in race and gender.
c. Managing diversity effectively can increase an organisation's competitive advantage.
d. It includes dimensions like age, disability, and sexual orientation.
Which of the above statements are correct?
(A) a, c, and d only
(B) a, b, and c only

NODIA

(C) b, c, and d only
(D) a, b, and d only

46. The 'glass ceiling' is a metaphor used to represent:
(A) A management style defined by transparency.
(B) A series of articulated organisational goals.
(C) A performance system accessible to all staff.
(D) A barrier preventing the advancement of minorities.

47. Intense feelings that are directed at someone or something are known as:
(A) Emotions
(B) Moods
(C) Attitudes
(D) Values

48. The concept of "Emotional Labour" refers to:
(A) The physical exhaustion from work.
(B) The display of expected emotions during work interactions.
(C) The effort of managing interpersonal conflicts.
(D) The cognitive load of complex problem-solving.

49. Read the following statements and choose the correct option.
Statement I: Stress is always negative and harmful to an individual's performance.
Statement II: A moderate level of stress, known as eustress, can be a positive motivator for performance.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

50. Match List I with List II and select the correct answer using the codes given below.
List I: (Leadership Theory)
P. Path-Goal Theory
Q. Fiedler's Contingency Model
R. Transformational Leadership
S. Trait Theory

List II: (Key Concept)
1. "Great Man" approach
2. Leader-Member Relations, Task Structure, Position Power
3. Clarifying the path to help followers achieve goals
4. Idealized Influence, Inspirational Motivation

Codes:
(A) P-1, Q-2, R-3, S-4
(B) P-3, Q-2, R-4, S-1
(C) P-3, Q-4, R-2, S-1
(D) P-4, Q-1, R-3, S-2

51. An employee feeling that their pay is unfair compared to a colleague with similar responsibilities is experiencing a lack of:
(A) Procedural Justice
(B) Interactional Justice
(C) Distributive Justice
(D) Informational Justice

52. The fairness of the process used to determine outcomes is referred to as:
(A) Distributive Justice
(B) Interpersonal Justice
(C) Outcome Justice
(D) Procedural Justice

53. 'Whistle-blowing' is best defined as:
(A) An informal internal communication network.
(B) A conflict resolution method used in groups.
(C) The reporting of illegal or unethical practices.
(D) A standard performance appraisal methodology.

54. Which of the following is a potential negative consequence for a whistle-blower?
(A) Promotion and recognition
(B) Retaliation and ostracism
(C) Increased job security
(D) Enhanced team camaraderie

55. Consider the following factors:
a. Consistency in applying rules
b. Bias suppression in decision making
c. Accuracy of information used
d. Correctability of decisions
e. Unethicality in process

Click Here to Buy book on Amazon

Which of the above factors would contribute to a perception of high procedural justice?
(A) a, b, and c only
(B) a, b, c, and d only
(C) b, c, d, and e only
(D) a, c, and e only

56. The primary concept of Human Resource Management (HRM) involves:
(A) Managing people to meet organizational objectives.
(B) Managing organizational financial assets and debt.
(C) Managing production and operational workflows.
(D) Managing marketing functions and sales cycles.

57. Which perspective on HRM views employees primarily as a cost to be minimized?
(A) The Human Relations perspective
(B) The Soft HRM perspective
(C) The Hard HRM perspective
(D) The Strategic HRM perspective

58. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Recent trends in HRM show a shift from a purely administrative function to a strategic partner role.
Reason (R): Globalisation and technological advancements require HR to contribute more directly to business strategy and organisational effectiveness.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

59. Which of the following is NOT a major external influence on HRM?
(A) Economic conditions
(B) Labour market trends
(C) Government laws and regulations
(D) Internal organisational culture

60. Arrange the following HRM functions in a logical sequence for a new hire:
1. Training
2. Selection
3. Recruitment
4. Induction

Select the correct sequence from the options given below.
(A) 3, 2, 4, 1
(B) 2, 3, 1, 4
(C) 3, 4, 2, 1
(D) 4, 3, 2, 1

61. Human Resource Planning (HRP) is the process of:
(A) Designing comprehensive reward and benefit programs.
(B) Evaluating the current competencies of employees.
(C) Forecasting future workforce demand and supply.
(D) Conducting interviews with exiting staff members.

62. The process of generating a pool of qualified candidates for a particular job is known as:
(A) Selection
(B) Job Analysis
(C) Induction
(D) Recruitment

63. Which statement is incorrect regarding the difference between recruitment and selection?
(A) Recruitment involves making a final hiring decision, while selection involves attracting candidates.
(B) Recruitment is a positive process, while selection is a negative process.
(C) The basic purpose of recruitment is to create a talent pool, whereas the purpose of selection is to choose the best candidate.
(D) Recruitment precedes selection in the staffing process.

64. The primary purpose of an induction or orientation program is to:
(A) Assess the skills of a new employee.
(B) Help the new employee adjust to the organisation and their job.
(C) Negotiate the salary and benefits.
(D) Assign the first major project to the new employee.

NODIA

65. Consider the following training methods:
a. Job Rotation
b. Lectures
b. Coaching
d. Case Studies
e. Apprenticeship
Which of the above are considered methods of on-the-job training?
(A) a, b, and d only
(B) b, c, and d only
(C) a, c, and e only
(D) c, d, and e only

66. A systematic process of determining the skills, duties, and knowledge required for performing jobs in an organisation is called:
(A) Job Analysis
(B) Job Evaluation
(C) Job Design
(D) Job Enrichment

67. A document that provides information regarding the tasks, duties, and responsibilities of a job is called a:
(A) Job Specification
(B) Job Evaluation
(C) Job Description
(D) Job Summary

68. Read the following statements and choose the correct option.
Statement I: Job evaluation is a systematic process of determining the relative worth of jobs in an organisation.
Statement II: The primary purpose of job evaluation is to establish a rational and equitable pay structure.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

69. Which of the following is a non-quantitative method of job evaluation?
(A) Point Method
(B) Factor Comparison Method
(C) Ranking Method
(D) Grade Description Method

70. Consider the following components:
a. Base salary
b. Intrinsic rewards like job satisfaction
c. Incentives and bonuses
d. Employee benefits
e. Organisational reputation
Which of the above are included in total compensation?
(A) a, b, and c only
(B) a, c, and d only
(C) b, d, and e only
(D) a, b, and e only

71. The "locus of control" personality attribute refers to:
(A) The degree to which an individual is pragmatic and maintains emotional distance.
(B) An individual's ability to adjust behaviour to external, situational factors.
(C) A person's willingness to take chances and make risky decisions.
(D) The degree to which people believe they are masters of their own fate.

72. Attribution theory suggests that when we observe an individual's behaviour, we attempt to determine whether it was:
(A) Internally or externally caused
(B) Positive or negative
(C) Voluntary or involuntary
(D) Conscious or unconscious

73. Match List I with List II and select the correct answer using the codes given below.
List I: (Personality Trait)
P. Machiavellianism
Q. Narcissism
R. Self-monitoring
S. Risk-taking
List II: (Characteristic)
1. A person has a grandiose sense of self-importance.
2. Willingness to make rapid decisions with incomplete information.
3. The belief that ends can justify means.
4. Ability to adjust behaviour to situational factors.
Codes:

Downloaded from www.pdf.tube

(A) P-1, Q-3, R-2, S-4
(B) P-3, Q-1, R-4, S-2
(C) P-3, Q-4, R-1, S-2
(D) P-4, Q-1, R-2, S-3

74. The "fundamental attribution error" is the tendency to:
(A) Overestimate the influence of internal factors and underestimate the influence of external factors when judging others.
(B) Overestimate the influence of external factors and underestimate the influence of internal factors when judging others.
(C) Attribute our own successes to internal factors and failures to external factors.
(D) Attribute our own successes to external factors and failures to internal factors.

75. An individual who believes that "what happens to me is my own doing" has a(n):
(A) High external locus of control
(B) High affective component
(C) Low cognitive dissonance
(D) High internal locus of control

76. Which of the following is the best example of a value?
(A) "My pay is too low."
(B) "I believe in treating everyone with respect."
(C) "I enjoy working in a team."
(D) "I am going to look for a new job."

77. A manager threatening an employee with a demotion for poor performance is an application of which learning concept?
(A) Positive Reinforcement
(B) Negative Reinforcement
(C) Punishment
(D) Extinction

78. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): According to Alderfer's ERG theory, more than one need may be operative at the same time.
Reason (R): ERG theory contains a frustration-regression dimension, suggesting that if a higher-level need is frustrated, the desire to satisfy a lower-level need increases.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

79. The three elements of motivation are:
(A) Intensity, direction, and persistence
(B) Aptitude, attitude, and achievement
(C) Interest, dedication, and ability
(D) Input, process, and output

80. Consider the following statements about group dynamics:
a. Group norms are acceptable standards of behaviour shared by the group's members.
b. Group cohesiveness is the degree to which members are attracted to each other and are motivated to stay in the group.
c. Larger groups are generally faster at completing tasks than smaller groups.
d. Groupthink is a desirable phenomenon that leads to better decision-making.
Which of the above statements are true?
(A) a and b only
(B) a, b, and c only
(C) c and d only
(D) All of the above

81. In the performing stage of group development, the group's major focus is on:
(A) Resolving internal conflicts.
(B) Carrying out the group's task.
(C) Getting to know each other.
(D) Wrapping up activities.

82. A self-managed work team is a group of employees who:
(A) Take on responsibilities of their former supervisors.
(B) Are from different departments but work on a common project.
(C) Meet regularly to discuss ways of improving quality and efficiency.
(D) Are brought together to accomplish a specific, complex task.

83. Which of the following is NOT a benefit of team building?
(A) Increased communication among team members.

NODIA

(B) Clarification of roles and responsibilities.
(C) Elimination of all future conflicts.
(D) Improved problem-solving skills.

84. A leader who makes decisions unilaterally and expects full compliance from subordinates is demonstrating which leadership style?
(A) Democratic
(B) Laissez-faire
(C) Participative
(D) Autocratic

85. Arrange the needs from Maslow's hierarchy in ascending order (from lowest to highest):
1. Esteem
2. Physiological
3. Self-Actualization
4. Safety
5. Social

Select the correct sequence from the options given below.
(A) 2, 4, 5, 1, 3
(B) 2, 5, 4, 1, 3
(C) 4, 2, 5, 1, 3
(D) 4, 2, 1, 5, 3

86. According to the Path-Goal theory, a leader who sets challenging goals and expects followers to perform at their highest level is exhibiting which leadership style?
(A) Directive
(B) Achievement-oriented
(C) Supportive
(D) Participative

87. In Transactional Analysis, a statement like, "You should always do your work on time," most likely comes from which ego state?
(A) Adult
(B) Child
(C) Superego
(D) Parent

88. Read the following statements and choose the correct option.
Statement I: Interpersonal behaviour refers to the interactions and relationships that occur between two or more people.
Statement II: Transactional Analysis is a theory of personality but has no application in understanding interpersonal behaviour.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

89. A "game" in Transactional Analysis is a series of:
(A) Complementary transactions leading to a positive outcome.
(B) Adult-to-Adult transactions for effective problem-solving.
(C) Ulterior transactions with a concealed motive, leading to a predictable negative payoff.
(D) Parent-to-Child transactions for providing guidance.

90. Consider the following functions:
a. It has a boundary-defining role.
b. It conveys a sense of identity for organisation members.
c. It facilitates the generation of commitment to something larger than individual self-interest.
d. It serves as a sense-making and control mechanism.
e. It primarily focuses on maximizing short-term profits.

Which of the above are considered key functions of organisational culture?
(A) a, b, c, and d only
(B) b, c, d, and e only
(C) a, c, and e only
(D) All of the above

91. A culture where the key values are intensely held and widely shared is known as a:
(A) Weak culture
(B) Subculture
(C) Dominant culture
(D) Strong culture

92. The shared perceptions organisational members have about their organisation and work environment is known as:
(A) Organisational Culture
(B) Organisational Climate

Click Here to Buy book on Amazon

(C) Organisational Design
(D) Organisational Justice

93. A country culture that values thrift, persistence, and tradition is high in which of Hofstede's dimensions?
(A) Power Distance
(B) Uncertainty Avoidance
(C) Long-Term Orientation
(D) Masculinity

94. The belief that one's own cultural group is superior to others is known as:
(A) Geocentrism
(B) Polycentrism
(C) Cultural relativism
(D) Ethnocentrism

95. Which of the following is NOT a potential challenge of work force diversity?
(A) Increased creativity and problem-solving
(B) Communication problems
(C) Interpersonal conflicts
(D) Resistance to change

96. The capacity to be aware of, control, and express one's emotions, and to handle interpersonal relationships judiciously and empathetically, is known as:
(A) Intelligence Quotient (IQ)
(B) Emotional Intelligence (EQ)
(C) Cognitive Ability
(D) Personality

97. A physiological and psychological response to a situation in which there is a perception of a threat or a challenge is called:
(A) Emotion
(B) Stress
(C) Mood
(D) Attitude

98. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Organisational justice is concerned with how employees feel they are being treated by their employers.
Reason (R): Perceptions of justice can influence key organisational outcomes such as commitment, job satisfaction, and turnover.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

99. The degree to which employees are treated with politeness, dignity, and respect by supervisors is a measure of:
(A) Distributive Justice
(B) Procedural Justice
(C) Interpersonal Justice
(D) Informational Justice

100. Match List I with List II and select the correct answer using the codes given below.
List I: (HRM Perspective)
P. Soft HRM
Q. Hard HRM
R. Strategic HRM
S. Pluralist Perspective
List II: (Core Idea)
1. Employees are a resource to be used dispassionately and efficiently.
2. The organisation and its employees have both common and competing interests.
3. Employees are a valuable asset to be developed and committed.
4. Aligning HRM with business strategy for competitive advantage.
Codes:
(A) P-3, Q-1, R-4, S-2
(B) P-1, Q-3, R-2, S-4
(C) P-3, Q-2, R-1, S-4
(D) P-4, Q-1, R-3, S-2

101. Which of the following is a recent trend influencing Human Resource Management?
(A) A decrease in the use of technology.
(B) A focus on gig economy and freelance workers.
(C) A shift away from data-driven decision making.
(D) A reduction in the importance of employee wellness.

102. The first step in the Human Resource Planning process is:
(A) Forecasting future human resource supply.
(B) Forecasting future human resource demand.

NODIA

(C) Analysing organisational objectives and strategic plans.
(D) Implementing HR plans.

103. Consider the following statements about recruitment sources:
a. Internal sources of recruitment can improve employee morale.
b. External sources bring new ideas and perspectives into the organisation.
c. Employee referrals are considered an external source of recruitment.
d. Internal recruitment is generally faster and less expensive than external recruitment.
Which of the above statements are correct?
(A) a, b, and c only
(B) a, c, and d only
(C) a, b, and d only
(D) b, c, and d only

104. A selection tool that involves a series of performance-simulation tests designed to evaluate a candidate's managerial potential is the:
(A) Work Sample Test
(B) Assessment Centre
(C) Aptitude Test
(D) Structured Interview

105. "Vestibule training" is a method of:
(A) On-the-job training
(B) Off-the-job training
(C) Mentoring
(D) Job rotation

106. A statement that identifies the minimum acceptable qualifications required for an employee to perform a job successfully is a:
(A) Job Description
(B) Job Analysis
(C) Job Specification
(D) Job Summary

107. Which job evaluation method involves identifying key compensable factors and assigning points to different degrees of these factors within jobs?
(A) Ranking Method
(B) Job Classification Method
(C) Point Method
(D) Factor Comparison Method

108. Read the following statements and choose the correct option.
Statement I: Direct compensation refers to the monetary benefits offered and provided to employees in return for their services.
Statement II: Indirect compensation includes non-monetary benefits like flexible work hours, recognition programs, and a positive work environment.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

109. Pay-for-performance plans are a form of:
(A) Base pay
(B) Indirect compensation
(C) Variable pay
(D) Non-financial compensation

NODIA

110. Which of the following is an example of an intrinsic reward?
(A) A year-end bonus
(B) A promotion to a higher-level position
(C) A sense of personal achievement from completing a challenging task
(D) A company car

111. The systems approach to Organisational Behaviour views an organisation as:
(A) A set of independent departments working towards separate goals.
(B) A unified, purposeful system composed of interrelated parts.
(C) A rational entity where human behaviour is predictable and controllable.
(D) A social structure based on power and authority.

112. An individual's capacity to perform the various tasks in a job is known as their:
(A) Attitude
(B) Personality
(C) Ability
(D) Motivation

113. Consider the following considerations when applying motivation theories in a diverse workforce:
a. Different cultures may prioritize different needs.
b. The concept of 'achievement' can vary across cultures.
c. Equity perceptions are universal and do not differ by cultural background.
d. The effectiveness of participation as a motivator can depend on power distance.
Which of the above statements are correct?
(A) a, b, and c only
(B) a, c, and d only
(C) b, c, and d only
(D) a, b, and d only

114. The "adjourning" stage was added to the five-stage group development model to address:
(A) The initial orientation of members.
(B) The resolution of conflicts.
(C) The performance of tasks for permanent teams.
(D) The wrapping up of activities for temporary teams.

115. A manager who shares decision-making authority with subordinates and encourages their input is using which leadership style?
(A) Autocratic
(B) Laissez-faire
(C) Participative (Democratic)
(D) Transactional

116. A transaction where an employee, in the Child ego state, complains to a manager, who responds from a Parent ego state, is an example of a:
(A) Crossed Transaction
(B) Ulterior Transaction
(C) Complementary Transaction
(D) Adult-to-Adult Transaction

117. An organisation's culture is most likely to be transmitted to employees through all of the following EXCEPT:
(A) Stories and legends
(B) Rituals and ceremonies
(C) The company's annual financial report
(D) Material symbols and language

118. Which statement about stress is incorrect?
(A) Stress can be caused by both organisational and personal factors.
(B) Role ambiguity and role conflict are common organisational stressors.
(C) Individual coping strategies have no impact on experienced stress levels.
(D) Organisational approaches to managing stress include job redesign and wellness programs.

119. A key difference between 'soft' and 'hard' HRM is that:
(A) 'Soft' HRM emphasizes the human aspect and employee development, while 'hard' HRM focuses on resource efficiency.
(B) 'Hard' HRM is more suitable for service industries, while 'soft' HRM is for manufacturing.
(C) 'Soft' HRM views employees as a cost, while 'hard' HRM views them as an asset.
(D) 'Hard' HRM focuses on qualitative data, while 'soft' HRM focuses on quantitative metrics.

120. Which of the following is NOT a purpose of training and development?
(A) To improve employee performance in their current job.
(B) To prepare employees for future job responsibilities.
(C) To determine the initial hiring decision for a candidate pool.
(D) To increase an employee's adaptability to change.

121. The systematic determination of the value of each job in relation to other jobs in the organisation is:
(A) Job Analysis
(B) Performance Appraisal
(C) Job Evaluation
(D) Compensation Management

122. Read the following statements and choose the correct option.
Statement I: Perception is a passive process of simply recording objective reality.
Statement II: Factors in the perceiver, the target, and the situation all influence perception.
(A) Both Statement I and Statement II are correct.

Downloaded from www.pdf.tube

(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

123. The "self-serving bias" is a type of attribution error where individuals tend to:
(A) Judge others more harshly than themselves.
(B) Attribute their own successes to internal factors and put the blame for failures on external factors.
(C) Seek out information that reaffirms their past choices and discount information that contradicts them.
(D) See their own behaviour as more favourable than the behaviour of others.

124. McClelland's Theory of Needs focuses on which three needs?
(A) Existence, Relatedness, and Growth
(B) Achievement, Power, and Affiliation
(C) Self-actualization, Esteem, and Social
(D) Hygiene, Motivators, and Security

125. Consider the following statements about group decision-making:
a. It is more time-consuming.
b. It can lead to groupthink.
c. It can result in ambiguous responsibility.
d. It generates fewer diverse alternatives than individual decision-making.
e. It always leads to higher quality decisions.
Which of the above are potential problems with group decision-making?
(A) a, b, and c only
(B) c, d, and e only
(C) a, d, and e only
(D) b, c, and d only

126. Which leadership theory argues that leadership effectiveness depends on the leader's ability to match their style to the situation's demands?
(A) Trait Theory
(B) Behavioural Theory
(C) Contingency Theory
(D) "Great Man" Theory

127. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): In Transactional Analysis, the Adult ego state is rational, logical, and focused on objective data.
Reason (R): Effective interpersonal communication often involves transactions from the Adult ego state of both parties.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

NODIA

128. An organisation that has departmentalization based on functions like production, marketing, finance, and human resources has a culture that values:
(A) Outcome orientation
(B) Specialization and expertise
(C) Team orientation
(D) Innovation and risk-taking

129. The GLOBE project extends Hofstede's work by studying which of the following cultural dimensions?
(A) Performance Orientation and Humane Orientation
(B) Emotional Stability and Extraversion
(C) Individualism and Long-Term Orientation only
(D) Power Distance and Uncertainty Avoidance only

130. A manager who provides clear and complete explanations for decisions that affect employees is demonstrating:
(A) Distributive Justice
(B) Interpersonal Justice
(C) Procedural Justice
(D) Informational Justice

131. The primary aim of Human Resource Planning is to:
(A) Ensure the payroll is processed accurately.
(B) Bridge the gap between current HR capabilities and future needs.
(C) Resolve conflicts between employees and management.

(D) Design employee benefit packages.

132. An advantage of using external recruitment sources is:
(A) It is less costly than internal recruitment.
(B) The candidate's performance history is well known.
(C) It brings in fresh perspectives and new skills.
(D) It enhances the morale of existing employees.

133. Which of the following is NOT a common selection method?
(A) Application forms
(B) Job advertising
(C) Employment tests
(D) Interviews

134. Which of the following statements about Job Analysis is incorrect?
(A) It is the foundation for most HRM activities.
(B) It results in a job description and a job specification.
(C) It is the same as job evaluation.
(D) It can be conducted through interviews, questionnaires, or observation.

135. Match List I with List II and select the correct answer using the codes given below.
List I: (Term)
P. Job Description
Q. Job Specification
R. Job Evaluation
S. Job Analysis
List II: (Definition)
1. A systematic process of collecting information about a job.
2. A statement of the human qualifications needed to perform a job.
3. A systematic process of determining the relative worth of a job.
4. A statement of the tasks, duties, and responsibilities of a job.
Codes:
(A) P-4, Q-2, R-3, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-3, R-2, S-1
(D) P-2, Q-4, R-1, S-3

136. A Type A personality is characterized by all of the following EXCEPT:
(A) A tendency to be relaxed and patient.
(B) A chronic sense of time urgency.
(C) An excessive competitive drive.
(D) A need to measure their success in terms of quantity.

137. Which of the following is an example of an informal group?
(A) A finance department in a company.
(B) A group of employees who eat lunch together every day.
(C) A project team created by a manager.
(D) A formal committee for workplace safety.

138. The process of shaping behaviour by systematically reinforcing each successive step that moves an individual closer to the desired response is known as:
(A) Classical conditioning
(B) Social learning
(C) Shaping
(D) Extinction

139. In Vroom's Expectancy Theory, 'Instrumentality' refers to the belief that:
(A) Effort will lead to performance.
(B) Performance will lead to outcomes.
(C) The outcomes are valuable to the individual.
(D) The process is fair and equitable.

140. Consider the following factors:
a. Task demands
b. Role demands
c. Interpersonal demands
d. Organisational structure
e. Strong social support from colleagues
Which of the above are potential sources of organisational stress?
(A) a, b, c, and d only
(B) b, c, d, and e only
(C) a, c, and e only
(D) All of the above

141. The 'supportive' model of Organisational Behaviour has its roots in:
(A) The principle of supportive relationships as studied by Rensis Likert.
(B) The concept of power and authority.
(C) The provision of economic security for

Click Here to Buy book on Amazon

employees.
(D) The idea of partnership and teamwork.

142. A manager believes that most employees dislike work and must be coerced to perform. This manager's belief aligns with:
(A) Theory Y
(B) Theory X
(C) Herzberg's Two-Factor Theory
(D) Alderfer's ERG Theory

143. Arrange the following steps of the recruitment process in a logical order:
1. Searching for potential candidates
2. Evaluating the effectiveness of the process
3. Planning and identifying recruitment needs
4. Screening applications

Select the correct sequence from the options given below.
(A) 3, 1, 4, 2
(B) 1, 3, 4, 2
(C) 3, 4, 1, 2
(D) 1, 4, 3, 2

144. Which statement best distinguishes between organisational culture and organisational climate?
(A) Culture is about shared values and beliefs, while climate is about shared perceptions of policies and procedures.
(B) Climate is a deeper and more enduring phenomenon than culture.
(C) Culture is easily changed, while climate is very difficult to change.
(D) There is no significant difference; the terms are interchangeable.

145. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Whistle-blowing can serve as a mechanism for organisational accountability and reform.
Reason (R): Organisations that provide clear, protected channels for reporting misconduct are more likely to correct problems internally before they escalate.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

146. A "realistic job preview" (RJP) is a selection tool that:
(A) Assesses a candidate's technical skills.
(B) Provides balanced positive and negative information.
(C) Simulates work environments for task performance.
(D) Sells only the positive aspects to attract talent.

147. A compensation system where pay levels are determined based on the number of skills an employee has or the number of jobs they can do is called:
(A) Piece-rate pay
(B) Merit-based pay
(C) Skill-based pay
(D) Profit-sharing

148. Read the following statements and choose the correct option.
Statement I: The primary goal of team building is to increase the group's cohesiveness.
Statement II: Highly cohesive groups are always more productive than less cohesive groups.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

149. The degree to which a job requires a variety of different activities so the worker can use a number of different skills and talent is known as:
(A) Task Identity
(B) Task Significance
(C) Skill Variety
(D) Autonomy

150. A leader who provides vision and a sense of mission, instills pride, and gains respect and trust is demonstrating:
(A) Laissez-faire leadership
(B) Transactional leadership

NODIA

(C) Charismatic/Transformational leadership
(D) Autocratic leadership

151. Which of the following is NOT one of the "Big Five" personality traits?
(A) Agreeableness
(B) Conscientiousness
(C) Locus of Control
(D) Openness to Experience

152. The phase of the socialisation process that encompasses all the learning that occurs before a new member joins the organisation is called:
(A) Encounter
(B) Metamorphosis
(C) Prearrival
(D) Induction

153. A sales executive who receives a bonus for exceeding her quarterly sales target is being motivated through:
(A) An intrinsic reward
(B) An extrinsic reward
(C) Negative reinforcement
(D) Job enrichment

154. Consider the following strategies for stress management:
a. Time management techniques
b. Increased physical exercise
c. Relaxation training
d. Redesigning jobs to give employees more autonomy
e. Building a more supportive organisational climate
Which of the above are potential individual-level strategies for stress management?
(A) a, b, and c only
(B) c, d, and e only
(C) a, d, and e only
(D) b, c, and d only

155. Consider the following statements about Human Resource Planning:
a. It is a static, one-time process.
b. It helps organisations anticipate and manage shortages and surpluses of employees.
c. It is directly linked to the strategic goals of the organisation.
d. It focuses exclusively on quantitative forecasting methods.
Which of the above statements are correct?
(A) a and d only
(B) b and c only
(C) a, b, and c only
(D) b, c, and d only

156. The process of introducing a new employee to the job and the organisation is known as:
(A) Recruitment
(B) Selection
(C) Induction
(D) Job Evaluation

157. Match List I with List II and select the correct answer using the codes given below.
List I: (Justice Type)
P. Distributive Justice
Q. Procedural Justice
R. Interpersonal Justice
S. Informational Justice
List II: (Example)
1. My supervisor explained the performance review process to me clearly.
2. My supervisor was polite and respectful during our meeting.
3. The promotion decision was based on fair and consistent criteria.
4. I believe my salary increase is fair compared to my contributions.
Codes:
(A) P-1, Q-2, R-3, S-4
(B) P-4, Q-3, R-2, S-1
(C) P-4, Q-1, R-2, S-3
(D) P-3, Q-4, R-1, S-2

158. A manager notices that her team, composed of highly skilled individuals, is failing to meet its targets due to constant arguments and lack of coordination. Which of the following interventions would be most appropriate in this situation?
(A) Provide more individualised financial incentives.
(B) Conduct a team-building workshop focused on role clarification and communication.
(C) Replace the team members with less skilled but more agreeable individuals.
(D) Increase the team's workload to force them to focus.

Downloaded from www.pdf.tube

159. The 'contingency approach' to Organisational Behaviour suggests that:
(A) There is one best way to manage in all situations.
(B) Human behaviour in organisations is random and unpredictable.
(C) Different situations require different behavioural practices for effectiveness.
(D) The primary goal of management is to control employee behaviour.

160. Which of the following is considered an instrumental value according to Rokeach?
(A) Freedom
(B) Social recognition
(C) A world at peace
(D) Ambition

161. An employee is consistently late for work. The manager decides to ignore the behaviour, hoping it will cease. If the behaviour was previously reinforced by the manager's attention (even negative attention), this new approach is an example of:
(A) Punishment
(B) Positive Reinforcement
(C) Negative Reinforcement
(D) Extinction

162. Read the following statements and choose the correct option.
Statement I: Group cohesiveness is always beneficial for organisational performance.
Statement II: If a group's performance norms are low, high cohesiveness will lead to low productivity.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

163. A leader who focuses on clarifying roles and task requirements to guide followers toward established goals is known as a:
(A) Transformational leader
(B) Transactional leader
(C) Charismatic leader
(D) Servant leader

NODIA

164. In Transactional Analysis, a statement like, "Let's examine the facts and find a logical solution," most likely comes from which ego state?
(A) Nurturing Parent
(B) Adult
(C) Adapted Child
(D) Free Child

165. An organisation that encourages its employees to be aggressive, competitive, and focused on achieving measurable results has a culture that is high in:
(A) People orientation
(B) Outcome orientation
(C) Team orientation
(D) Stability

166. A Japanese manager being transferred to the United States finds it difficult to adapt to the local emphasis on individual achievement over group harmony. This reflects a key difference in which cultural dimension?
(A) Power Distance
(B) Uncertainty Avoidance
(C) Individualism vs. Collectivism
(D) Masculinity vs. Femininity

167. A manager is dealing with an employee who is experiencing high levels of stress due to work overload. An appropriate organisational-level intervention would be:
(A) Recommending individual meditation techniques.
(B) Providing general wellness documentation.
(C) Re-designing the job to be more manageable.
(D) Advising the use of personal vacation days.

168. The "unitarist" perspective in HRM assumes that:
(A) The organisation is a place of conflict between management and employees.
(B) The organisation is an integrated and harmonious entity with common goals.
(C) Trade unions are a necessary partner in organisational governance.
(D) The interests of the organisation and employees are always divergent.

169. What is a primary disadvantage of internal recruitment?
(A) It is more expensive than external recruitment.
(B) It can lead to a lack of new ideas and "inbreeding".
(C) It takes a longer time to fill positions.
(D) The candidate's abilities are largely unknown.

170. Consider the following components of a training program:
a. Needs assessment
b. Program design
c. Validation
d. Implementation
e. Evaluation
Which of the above are key components of a robust training and development program?
(A) a, b, and d only
(B) b, c, and e only
(C) a, b, d, and e only
(D) All of the above

171. The part of a job analysis that focuses on the human characteristics needed to perform the job, such as knowledge, skills, and abilities, is the:
(A) Job description
(B) Job context
(C) Job specification
(D) Job performance standards

172. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Compensation management is a critical HRM function for attracting, motivating, and retaining employees.
Reason (R): An organisation's compensation system directly impacts employee perceptions of fairness and their overall job satisfaction.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

173. The 'halo effect' and 'horns effect' are potential errors in which process?
(A) Perception
(B) Motivation
(C) Learning
(D) Group formation

174. According to Fiedler's Contingency Model, which leadership style is most effective in highly favourable and highly unfavourable situations?
(A) Relationship-oriented
(B) Task-oriented
(C) Participative
(D) Laissez-faire

175. A cross-functional team is composed of:
(A) Employees from the same functional area who are at different hierarchical levels.
(B) Employees from about the same hierarchical level, but from different work areas.
(C) A manager and their immediate subordinates.
(D) Employees who perform their work entirely online.

176. Which of the following is NOT a core component of Transactional Analysis?
(A) Ego States
(B) Transactions
(C) Life Positions
(D) Archetypes

177. A 'subculture' within an organisation is:
(A) A culture that is in direct opposition to the dominant culture.
(B) A set of shared understandings among members of one department or geographical location.
(C) The official culture promoted by top management.
(D) A culture that is weaker than the dominant culture.

178. The psychological discomfort an individual feels when their behaviour does not align with their attitudes or beliefs is known as:
(A) Job satisfaction
(B) Organisational commitment
(C) Cognitive dissonance
(D) Emotional labour

179. The demand for HR professionals is likely to increase as a result of which recent trend?

Click Here to Buy book on Amazon

(A) Decreased government regulation of employment.
(B) Increased complexity of legal compliance and focus on diversity and inclusion.
(C) The simplification of business operations due to technology.
(D) A decline in the strategic importance of human capital.

180. An off-the-job training method where trainees are presented with a real-life situation and are asked to identify problems and recommend solutions is:
(A) Role Playing
(B) Case Study Method
(C) Vestibule Training
(D) Simulation

181. A wage and salary survey is primarily conducted to ensure:
(A) Internal equity
(B) External equity
(C) Individual equity
(D) Procedural equity

182. A manager assigns a challenging project to an employee to help them develop new skills. This is an example of:
(A) Job rotation
(B) Job enrichment
(C) Job enlargement
(D) Job simplification

183. Read the following statements and choose the correct option.
Statement I: Organisational Behaviour is a pure science, much like physics or chemistry.
Statement II: OB draws heavily from behavioural and social sciences to understand and predict human behaviour at work.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

184. The 'recency effect' in perception is the tendency to:
(A) Judge a person based on a single prominent characteristic.
(B) Give more weight to early information received about a person.
(C) Give more weight to the most recent information received about a person.
(D) Attribute the behaviour of others to internal causes.

185. A person who is high in 'openness to experience' would likely be:
(A) Calm, self-confident, and secure.
(B) Responsible, dependable, and organized.
(C) Sociable, gregarious, and assertive.
(D) Imaginative, curious, and artistically sensitive.

186. Which of the following concepts is central to social learning theory?
(A) Stimulus-response connection
(B) Reinforcement of consequences
(C) Observational learning and modeling
(D) Unconditioned reflexes

187. Consider the following statements about leadership and management:
a. All leaders are managers.
b. All managers are leaders.
c. Leadership focuses on coping with change.
d. Management focuses on coping with complexity.
e. Effective organisations need both strong leadership and strong management.
Which of the above statements are correct?
(A) a, b, and c only
(B) c, d, and e only
(C) a, c, and d only
(D) b, d, and e only

188. An employee feels that their manager is rude and disrespectful. This is an issue of:
(A) Low distributive justice
(B) Low procedural justice
(C) Low interpersonal justice
(D) Low informational justice

189. A key benefit of having a diverse workforce is:
(A) Reduced training costs.
(B) Simplified communication processes.
(C) A wider range of perspectives and improved problem-solving.

Downloaded from www.pdf.tube

(D) Lower employee turnover in the initial stages.

190. Which of the following is an example of an organisation-level stressor?
(A) Family problems
(B) Personal financial issues
(C) An aggressive and non-supportive organisational culture
(D) A pessimistic personality type

191. The Delphi technique is a tool used in:
(A) Job evaluation
(B) Performance appraisal
(C) Human resource demand forecasting
(D) Conflict resolution

192. Which of the following is a quantitative method of job evaluation?
(A) Ranking method
(B) Job classification method
(C) Factor comparison method
(D) Paired comparison method

193. Arrange the following leadership theories in chronological order of their development:
1. Trait Theories
2. Contingency Theories
3. Behavioural Theories

Select the correct sequence from the options given below.
(A) 1, 2, 3
(B) 2, 1, 3
(C) 1, 3, 2
(D) 3, 1, 2

194. Consider the following factors:
a. Barrier to change
b. Barrier to diversity
c. Barrier to mergers and acquisitions
d. Increased employee commitment
e. Enhanced organisational stability

Which of the above are potential dysfunctions of a strong organisational culture?
(A) a, b, and c only
(B) c, d, and e only
(C) a, d, and e only
(D) b, c, and d only

195. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): In Vroom's Expectancy Theory, motivation is high when all three components (Expectancy, Instrumentality, Valence) are high.
Reason (R): The theory is modeled as a multiplicative function, meaning if any one of the three components is zero, the overall motivation will be zero.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

196. The process of systematically reviewing an employee's job performance and providing feedback is:
(A) Job analysis
(B) Performance appraisal
(C) Induction
(D) Recruitment

197. A manager yelling at an employee is an example of a(n):
(A) Adult to Adult Transaction
(B) Parent to Child Transaction
(C) Child to Parent Transaction
(D) Adult to Parent Transaction

198. The 'Peter Principle' is an observation that in a hierarchy:
(A) Work expands to fill the time available for its completion.
(B) People tend to be promoted to their level of incompetence.
(C) 20% of the effort produces 80% of the results.
(D) Employees will always act in their own self-interest.

199. Which of the following is a characteristic of a 'Mechanistic' organisational structure, often associated with stable climates?
(A) Low formalization
(B) Decentralized decision making
(C) Cross-functional teams
(D) Clear chain of command

NODIA

200. Match List I with List II and select the correct answer using the codes given below.
List I: (Concept)
P. Scientific Management
Q. Human Relations Movement
R. Theory X and Theory Y
S. Hierarchy of Needs
List II: (Proponent/Associated Study)
1. Douglas McGregor
2. Abraham Maslow
3. F.W. Taylor
4. Hawthorne Studies
Codes:
(A) P-3, Q-4, R-1, S-2
(B) P-4, Q-3, R-2, S-1
(C) P-3, Q-1, R-4, S-2
(D) P-1, Q-2, R-3, S-4

201. Which of the following is NOT a characteristic of a virtual team?
(A) Members are physically dispersed.
(B) Communication is primarily through electronic means.
(C) Members meet face-to-face on a daily basis.
(D) They can be formed to solve a specific problem and disbanded after.

202. The concept that people will be more motivated to exert a high level of effort when they believe it will lead to a good performance appraisal, and that a good appraisal will lead to rewards they value, is best explained by:
(A) Goal-Setting Theory
(B) Equity Theory
(C) Expectancy Theory
(D) Reinforcement Theory

203. A "360-degree feedback" process involves performance feedback from:
(A) Only the employee's direct supervisor.
(B) The employee, their supervisor, peers, and subordinates.
(C) Only the employee's peers.
(D) An external consultant.

204. Read the following statements and choose the correct option.
Statement I: Job enlargement involves expanding a job horizontally by increasing the number and variety of tasks.
Statement II: Job enrichment involves expanding a job vertically by increasing the employee's responsibility and control.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

205. The "glass cliff" phenomenon refers to:
(A) The invisible barrier preventing women from reaching top leadership.
(B) The tendency for women and minorities to be appointed to leadership positions during times of crisis, when the risk of failure is high.
(C) The point at which a diverse workforce becomes difficult to manage.
(D) A transparent but strong barrier to cross-cultural communication.

206. 'Burnout' is a state of emotional, physical, and mental exhaustion caused by:
(A) A single, highly traumatic event.
(B) Excessive and prolonged stress.
(C) A lack of challenging work.
(D) Positive and motivating life events.

207. Which of the following is a key reason for conducting a job analysis?
(A) To determine employee salaries based on market rates.
(B) To comply with legal requirements and support HR decisions.
(C) To evaluate the overall financial performance of the organisation.
(D) To create social clubs and informal groups.

208. The main difference between training and development is that:
(A) Training is for non-managerial employees, while development is for managers.
(B) Training focuses on current job skills, while development focuses on future responsibilities.
(C) Training is always off-the-job, while development is on-the-job.
(D) Training is a one-time event, while development is a continuous process.

Click Here to Buy book on Amazon

209. An employee who feels that the raise they received was unfair when compared to a coworker with the same performance level is demonstrating a concern for:
(A) Procedural justice
(B) Interactional justice
(C) Distributive justice
(D) Systemic justice

210. Consider the following characteristics:
a. It is a one-time event with a clear start and end.
b. It is an ongoing process integrated with work.
c. It focuses on improving interpersonal relations and problem-solving.
d. It has the support of top management.
e. It guarantees the elimination of all conflict.
Which of the above are characteristics of effective team building?
(A) a, c, and e only
(B) b, c, and d only
(C) a, d, and e only
(D) b, d, and e only

211. The 'Hot Stove Rule' for applying discipline suggests that disciplinary action should be:
(A) Delayed, inconsistent, and highly personal.
(B) Immediate, consistent, warned, and impersonal.
(C) Public, severe, and focused on individuals.
(D) Flexible, undocumented, and without warnings.

212. In the context of Individual Behaviour, what does the acronym 'KSA' stand for in job analysis and selection?
(A) Knowledge, Skills, and Attitude
(B) Knowledge, Skills, and Abilities
(C) Keenness, Sincerity, and Ambition
(D) Know-how, Strategy, and Action

213. The extent to which a job has a substantial impact on the lives or work of other people is its:
(A) Skill Variety
(B) Task Identity
(C) Task Significance
(D) Autonomy

214. Which of the following is a potential drawback of a very strong organisational culture?
(A) It increases ambiguity for employees.
(B) It makes it difficult for the organisation to adapt to a changing environment.
(C) It reduces employee loyalty and commitment.
(D) It weakens social control over employee behaviour.

215. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Workforce diversity, if managed properly, can lead to enhanced organisational performance.
Reason (R): Diverse teams bring a broader range of skills, perspectives, and problem-solving approaches to the table.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

216. A company that provides on-site childcare and flexible work hours is attempting to manage employee stress by addressing which type of stressor?
(A) Task Demands
(B) Role Demands
(C) Work-Life Conflict
(D) Interpersonal Demands

NODIA

217. The process of forecasting the availability of human resources, considering factors like retirements, promotions, and turnover, is known as:
(A) Demand forecasting
(B) Supply forecasting
(C) Gap analysis
(D) Strategic planning

218. An unstructured interview is one where:
(A) A standardized set of questions is asked.
(B) The interviewer asks open, probing questions.
(C) A panel conducts the entire evaluation.
(D) Applicants must provide a practical sample.

219. The 'ranking method' of job evaluation is simple to implement but can be criticized for:

(A) Being too complex and time-consuming.
(B) Requiring expensive software and consultants.
(C) Lacking clear criteria and not indicating the degree of difference between jobs.
(D) Being a quantitative and overly rigid method.

220. Consider the following statements about group norms:
a. They dictate acceptable standards of behaviour.
b. They are always formally written down and communicated.
c. They can influence individual member's behaviour significantly.
d. Groups can establish norms about performance, appearance, and social arrangement.
Which of the above statements are correct?
(A) a, b, and c only
(B) b, c, and d only
(C) a, c, and d only
(D) a, b, and d only

221. A culture with a high 'Power Distance' index would likely feature:
(A) A flat organisational structure with participative decision-making.
(B) Widespread acceptance of inequality and respect for authority.
(C) A preference for informal communication channels.
(D) Low levels of supervision and control.

222. When a manager says to a subordinate, "If you don't complete this report by Friday, you'll lose your weekend off," they are attempting to use which conflict handling style?
(A) Collaborating
(B) Accommodating
(C) Competing
(D) Avoiding

223. What is the primary focus of the field of Organisational Behaviour?
(A) Understanding and improving organisational effectiveness.
(B) Maximising shareholder wealth exclusively.
(C) Analysing economic market forces.
(D) Developing new manufacturing technologies.

224. 'Emotional Dissonance' occurs when:
(A) An employee feels the same emotions they are required to show.
(B) An employee has to project one emotion while simultaneously feeling another.
(C) An employee is unable to understand the emotions of others.
(D) An employee's emotions are in harmony with the organisational culture.

225. A key objective of a strategic approach to HRM is to:
(A) Ensure all HR policies and practices are aligned with the organisation's overall business strategy.
(B) Focus solely on minimizing employee-related costs.
(C) Handle day-to-day administrative tasks like payroll and record-keeping.
(D) React to HR problems as they arise rather than anticipating them.

226. Which of the following is an example of an off-the-job training method?
(A) Coaching
(B) Job Rotation
(C) Simulation Exercises
(D) Apprenticeship

227. 'Gainsharing' is a compensation plan that:
(A) Distributes a portion of company-wide profits to employees.
(B) Pays employees based on the number of jobs they can perform.
(C) Is a one-time bonus for exceptional individual performance.
(D) Shares financial gains from improved group productivity with employees.

228. Read the following statements and choose the correct option.
Statement I: A team is different from a group because a team generates positive synergy through coordinated effort.
Statement II: In a work group, individuals primarily interact to share information and make decisions to help each member perform within their area of responsibility.
(A) Both Statement I and Statement II are

Downloaded from www.pdf.tube

correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

229. A manager who believes in McGregor's Theory Y would likely:
(A) Use a highly directive and controlling leadership style.
(B) Assume employees are inherently lazy and need to be monitored closely.
(C) Allow employees to have autonomy and participate in decision-making.
(D) Focus primarily on hygiene factors to motivate employees.

230. A whistleblower who reports misconduct to an external body, like the media or a regulatory agency, is known as a(n):
(A) Internal whistleblower
(B) External whistleblower
(C) Anonymous whistleblower
(D) Governmental whistleblower

231. Which of the following is NOT a level of analysis in the Organisational Behaviour model?
(A) Individual Level
(B) Group Level
(C) Organisational System Level
(D) Global Economic Level

232. 'Projection' in perception is the tendency to:
(A) Draw a general impression based on a single characteristic.
(B) Judge someone on the basis of one's perception of the group to which they belong.
(C) Attribute one's own characteristics to other people.
(D) Evaluate a person's characteristics by comparison with other people recently encountered.

233. Consider the following benefits:
a. Attracting and retaining qualified employees
b. Motivating employee performance
c. Ensuring internal and external equity
d. Complying with legal regulations
e. Eliminating the need for performance appraisals

Which of the above are potential benefits of a well-designed compensation management system?
(A) a, b, and c only
(B) c, d, and e only
(C) a, b, c, and d only
(D) a, b, and e only

234. In Transactional Analysis, a crossed transaction occurs when:
(A) The response is expected and follows the natural order of a healthy relationship.
(B) An unexpected response is made to the stimulus, engaging a different ego state than expected.
(C) A hidden psychological message is sent along with the overt social message.
(D) Both parties are communicating from their Adult ego states.

235. The 'encounter' stage of socialisation is when:
(A) The employee learns about the organisation before joining.
(B) The employee sees what the organisation is really like and confronts the possibility that expectations and reality may diverge.
(C) The employee makes the long-lasting changes to fit in with the organisation.
(D) The employee formally leaves the organisation.

236. A person from a culture with low 'Uncertainty Avoidance' would likely be:
(A) More comfortable with ambiguity and risk.
(B) In favour of strict rules and procedures.
(C) Anxious about the future and resistant to change.
(D) Highly concerned with security and stability.

237. The 'Job Characteristics Model' (JCM) proposes that five core job dimensions influence three critical psychological states, leading to positive work outcomes. Which of the following is one of the critical psychological states?
(A) High internal work motivation
(B) Knowledge of the actual results of the work activities
(C) High quality work performance
(D) Low absenteeism and turnover

NODIA

238. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Transactional leadership and transformational leadership are mutually exclusive styles.
Reason (R): The best leaders are often those who can combine both transactional and transformational leadership styles.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

239. The process of Human Resource Planning (HRP) can be simplified into three key steps. Arrange them in the correct sequence:
1. Balancing supply and demand
2. Assessing future supply of HR
3. Assessing future demand for HR
Select the correct sequence from the options given below.
(A) 3, 2, 1
(B) 1, 2, 3
(C) 2, 3, 1
(D) 3, 1, 2

240. An employee assistance program (EAP) is an organisational initiative primarily designed to:
(A) Provide support for personal problems impacting performance.
(B) Provide financial loans to employees in need.
(C) Offer career development and promotion opportunities.
(D) Manage the payroll and benefits administration.

241. Which of the following is NOT an objective of Human Resource Management?
(A) Societal Objectives
(B) Organisational Objectives
(C) Functional Objectives
(D) Financial Market Objectives

242. A cognitive evaluation of some object, person, or event, such as "My supervisor is unfair," represents which component of an attitude?
(A) Affective
(B) Behavioural
(C) Cognitive
(D) Intentional

243. The "storming" stage of group development is characterized by:
(A) Uncertainty and dependence on the leader.
(B) Conflict and confrontation among members.
(C) Cohesion and development of group norms.
(D) Functional role-playing and task performance.

244. A leader who lets the group make decisions and provides minimal input is demonstrating which leadership style?
(A) Autocratic
(B) Democratic
(C) Laissez-faire
(D) Charismatic

245. Match List I with List II and select the correct answer using the codes given below.
List I: (Term)
P. Work Force Diversity
Q. Organisational Culture
R. Interpersonal Behaviour
S. Stress Management
List II: (Brief Description)
1. Shared values and norms
2. Coping with workplace pressures
3. Acknowledging differences among employees
4. Interactions between individuals
Codes:
(A) P-3, Q-1, R-4, S-2
(B) P-1, Q-3, R-2, S-4
(C) P-3, Q-2, R-1, S-4
(D) P-4, Q-1, R-3, S-2

246. Which of the following is the most significant challenge in managing a multicultural workforce?
(A) Ensuring all employees eat the same food.
(B) Overcoming communication barriers and differing cultural norms.
(C) Designing a single, uniform compensation plan.
(D) Finding a single holiday that everyone can agree on.

Click Here to Buy book on Amazon

247. The primary purpose of providing an induction program for new employees is to:
(A) Fulfill a legal requirement only.
(B) Facilitate their smooth integration into the organisation.
(C) Test their skills under pressure.
(D) Begin the first performance appraisal cycle.

248. In the context of compensation, 'internal equity' refers to the perceived fairness of:
(A) An employee's pay relative to what other companies are paying for similar work.
(B) The process used to make decisions about pay.
(C) An individual's pay compared to others within the same organisation.
(D) The non-monetary benefits offered by the company.

249. Which of the following is a key characteristic of the 'collegial' model of Organisational Behaviour?
(A) Dependence on the boss
(B) Dependence on the organisation
(C) A sense of partnership and teamwork
(D) Strict obedience to orders

250. Read the following statements and choose the correct option.
Statement I: Job analysis is primarily concerned with studying the jobs within an organisation.
Statement II: Job evaluation is primarily concerned with determining the relative worth of those jobs.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

Direction : Please read the following source carefully.

The study of Organisational Behaviour (OB) is of paramount significance in contemporary management, as it provides a systematic framework for understanding, predicting, and influencing human behaviour within an organizational context. Its primary significance lies in moving beyond intuitive judgments and offering a evidence-based approach to managing people at work. By examining behaviour at individual, group, and organizational levels, OB equips managers with the tools to enhance job satisfaction, improve performance, and foster innovation. The field is underpinned by a diverse array of theories that seek to explain why individuals and groups act the way they do. These theoretical foundations are not monolithic; they draw from disciplines such as psychology, sociology, and anthropology to offer various lenses for analysing workplace phenomena. For instance, some theories focus on cognitive processes driving motivation, while others emphasize the social dynamics of power and politics. The ultimate aim is to apply this theoretical knowledge to solve practical problems, such as reducing absenteeism, managing conflict, and leading organizational change effectively. The significance of OB, therefore, is not merely academic but profoundly practical, contributing directly to organizational effectiveness and employee well-being by demystifying the complexities of human interaction in the workplace.

Based on the above source, attempt the following five questions.

251. According to the paragraph, what is the primary significance of Organisational Behaviour?
(A) To offer managers a set of rigid rules for employee control.
(B) To replace intuitive judgments with an evidence-based approach to management.
(C) To focus exclusively on the financial performance of an organization.
(D) To prioritize individual employee desires over organizational goals.

252. The paragraph suggests that the theoretical foundations of Organisational Behaviour are:
(A) Diverse and draw from multiple disciplines.
(B) Singular and universally accepted.
(C) Derived solely from the field of economics.
(D) Primarily focused on historical case studies.

253. Which of the following is identified in the text as a practical application of OB knowledge?
(A) Designing new marketing campaigns.
(B) Developing financial accounting standards.
(C) Managing conflict and leading

NODIA

organizational change.
(D) Engineering new production machinery.

254. The text implies that Organisational Behaviour analysis occurs at which of the following levels?
(A) Economic, political, and social.
(B) Local, national, and international.
(C) Managerial, supervisorial, and operational.
(D) Individual, group, and organizational.

255. What is the ultimate aim of applying Organisational Behaviour theories as described in the passage?
(A) To conduct purely academic research without practical application.
(B) To create a more complex and challenging work environment.
(C) To solve practical problems and enhance organizational effectiveness.
(D) To eliminate the need for managers in modern organizations.

Direction : Please read the following source carefully.

Individual behaviour within an organization is a complex interplay of several psychological constructs that collectively determine an employee's actions and reactions. Personality, often described as the sum total of ways in which an individual reacts to and interacts with others, provides a stable, underlying disposition. However, this disposition is mediated by perception, which is the process by which individuals organize and interpret their sensory impressions to give meaning to their environment. Two individuals with similar personalities might behave differently because their perceptions of the same situation vary. Guiding these perceptions and subsequent behaviours are an individual's values, which represent basic convictions about what is right, good, or desirable. Values provide a moral compass and influence attitudes, which are evaluative statements—either favourable or unfavourable—about objects, people, or events. An attitude reflects how one feels about something. Furthermore, behaviour is not static; it is subject to change through learning, a relatively permanent change in behaviour that occurs as a result of experience. Finally, the impetus for an individual to act is provided by motivation, the process that accounts for an individual's intensity, direction, and persistence of effort toward attaining a goal. Thus, understanding individual behaviour requires a holistic view of these interconnected elements.

Based on the above source, attempt the following five questions.

256. Based on the passage, what is the primary role of perception in shaping individual behaviour?
(A) It provides the stable, underlying disposition of an individual.
(B) It is the process of organizing and interpreting sensory input to assign meaning.
(C) It represents the basic convictions about what is right and wrong.
(D) It is the driving force that accounts for an individual's effort and intensity.

257. The paragraph suggests that two individuals with similar personalities might behave differently primarily because of a difference in their:
(A) Learning ability.
(B) Motivation levels.
(C) Core values.
(D) Perceptions of the situation.

258. Which concept is described in the passage as "evaluative statements—either favourable or unfavourable—about objects, people, or events"?
(A) Attitude.
(B) Personality.
(C) Values.
(D) Motivation.

NODIA

259. According to the text, what is the relationship between values and attitudes?
(A) Values are a direct result of an individual's attitudes.
(B) Values and attitudes are independent and do not influence each other.
(C) Values guide perceptions and subsequently influence attitudes.
(D) Attitudes are a form of learning, while values are part of personality.

260. The passage defines motivation as the process that accounts for an individual's:
(A) Intensity, direction, and persistence of

effort.
(B) Stable disposition and interaction style.
(C) Moral compass and basic convictions.
(D) Organization and interpretation of sensory impressions.

Direction : Please read the following source carefully.

While individual behaviour is a cornerstone of organizational studies, much of the work in organizations is performed collectively, making the study of group behaviour essential. Group dynamics refers to the complex forces, interactions, and processes that operate within a group of people, influencing its structure, development, and overall performance. These dynamics can be either constructive, leading to synergy and heightened productivity, or destructive, resulting in conflict and process losses. Recognizing this, organizations actively engage in team building, which is a conscious and structured process designed to improve the effectiveness of a workgroup. The objective of team building is not merely to foster camaraderie but to enhance task coordination, clarify roles, improve problem-solving, and establish shared goals. Central to navigating group dynamics and ensuring the success of team-building efforts is the role of leadership. Leadership in this context involves influencing the group to achieve its objectives. An effective leader can diagnose the stage of group development, manage interpersonal conflicts, facilitate communication, and motivate members, thereby transforming a collection of individuals into a cohesive and high-performing team. Therefore, group behaviour is a product of the interplay between inherent group dynamics, deliberate team-building interventions, and the quality of leadership.

Based on the above source, attempt the following five questions.

261. According to the paragraph, what is the primary purpose of team building?
(A) To encourage social events and casual camaraderie.
(B) To replace individual work entirely with group work.
(C) To identify and remove underperforming individuals from a group.
(D) To consciously improve the overall effectiveness of a workgroup.

262. The text defines "group dynamics" as the:
(A) Formal structure and hierarchy established by the organization.
(B) Complex forces and interactions that operate within a group.
(C) Process of influencing a group to achieve its objectives.
(D) Study of individual personalities within a team setting.

263. The passage suggests that the role of leadership in a group context is to:
(A) Exert absolute authority and control over all members.
(B) Focus solely on the personal development of each individual.
(C) Influence the group towards the achievement of its objectives.
(D) Eliminate all forms of conflict and disagreement within the group.

264. What potential outcomes of group dynamics are mentioned in the text?
(A) Only positive outcomes such as synergy and productivity.
(B) Only negative outcomes such as conflict and process losses.
(C) Outcomes related exclusively to financial performance.
(D) Both constructive outcomes like synergy and destructive ones like conflict.

265. Based on the paragraph, the relationship between group dynamics, team building, and leadership can be described as:
(A) Team building being a response to group dynamics, often guided by leadership.
(B) Three separate and unrelated concepts in organizational behaviour.
(C) Leadership being a result of effective team building and group dynamics.
(D) Group dynamics being the sole determinant of a team's success, regardless of leadership.

Direction : Please read the following source carefully.

Interpersonal behaviour, which encompasses the interactions between individuals in an organization, forms the fabric of workplace

Downloaded from www.pdf.tube

relationships and is fundamental to collaboration, communication, and conflict resolution. The quality of these dyadic interactions can significantly impact employee morale, team cohesion, and overall productivity. To better understand and improve these interactions, a popular framework known as Transactional Analysis (TA) is often employed. TA provides a model for explaining how individuals communicate and relate to one another based on three distinct ego states: Parent, Adult, and Child. The Parent ego state comprises attitudes and behaviours learned from parental figures, the Adult ego state represents a rational, objective, and problem-solving approach, and the Child ego state contains feelings, impulses, and experiences from one's own childhood. Transactional Analysis posits that interactions, or 'transactions', can be complementary, crossed, or ulterior. Complementary transactions, where the response comes from the expected ego state, facilitate smooth communication. In contrast, crossed transactions, where the response is from an unexpected ego state, often lead to communication breakdowns and interpersonal conflict. By analysing these transactions, individuals can gain insight into their own communication patterns and learn to interact more effectively, fostering healthier and more productive interpersonal behaviour in the workplace.

Based on the above source, attempt the following five questions.

266. What is the central focus of Transactional Analysis (TA) as described in the passage?
(A) Analysing an organization's financial transactions.
(B) Understanding interactions based on Parent, Adult, and Child ego states.
(C) Evaluating an individual's overall personality and values.
(D) Mapping the formal communication channels within a company.

267. According to the text, which ego state represents a rational, objective, and problem-solving approach?
(A) The Parent ego state.
(B) The Adult ego state.
(C) The Child ego state.
(D) The Ulterior ego state.

268. The paragraph suggests that communication breakdowns and interpersonal conflict often result from which type of transaction?
(A) Crossed transactions.
(B) Complementary transactions.
(C) Ulterior transactions.
(D) Rational transactions.

269. What is the primary benefit of applying Transactional Analysis in the workplace, according to the passage?
(A) To eliminate all forms of interpersonal interaction.
(B) To identify which employees have had a difficult childhood.
(C) To help individuals gain insight and improve their communication patterns.
(D) To enforce a single, mandated communication style for all employees.

NODIA

270. The passage defines interpersonal behaviour as:
(A) The internal thought processes of an individual employee.
(B) The formal policies governing employee conduct.
(C) The collective behaviour of an entire department or group.
(D) The interactions between individuals that form workplace relationships.

Direction : Please read the following source carefully.

Within organizational studies, it is crucial to distinguish between organizational culture and organizational climate, as they represent different levels of a shared reality. Organizational culture is the deeper, more enduring construct, often likened to the organization's personality. It consists of the shared values, underlying beliefs, basic assumptions, and norms that have evolved over time and are taught to new members as the correct way to perceive, think, and feel. Culture is often implicit, resilient to change, and provides a powerful sense of organizational identity and social control. In contrast, organizational climate can be seen as the organization's 'mood'. It refers to the shared perceptions of and feelings about the organization's policies, procedures, and practices. Climate is more temporary and tangible than culture; it is a surface-level manifestation that employees can directly see

and feel in their immediate work environment. While culture shapes the climate, a positive climate does not automatically signify a strong culture. For instance, a friendly and supportive climate might exist within a department, but the overarching organizational culture might still be characterized by deep-seated political maneuvering. Both concepts are critical as they significantly influence employee motivation, satisfaction, and performance, but they operate at different levels of depth and require different strategies for management and change.

Based on the above source, attempt the following five questions.

271. According to the passage, organizational culture is best described as the:
(A) Temporary mood and feelings of employees about their work environment.
(B) Formal policies and procedures documented by the human resources department.
(C) Deep-seated shared values, beliefs, and assumptions within an organization.
(D) Shared perceptions of tangible workplace practices.

272. How does the paragraph distinguish organizational climate from culture?
(A) Climate is a deeper, more enduring construct than culture.
(B) Climate refers to shared perceptions of policies and practices, while culture refers to underlying values.
(C) Culture is easily changed, whereas climate is resilient and long-lasting.
(D) Culture is tangible and directly observable, while climate is implicit.

273. The analogy used in the text likens organizational culture to an organization's _____ and climate to its _____.
(A) brain; nervous system
(B) skeleton; skin
(C) rulebook; daily newsletter
(D) personality; mood

274. What does the passage imply about the relationship between culture and climate?
(A) Culture is a deeper force that often shapes the more surface-level climate.
(B) The two concepts are identical and can be used interchangeably.
(C) Climate is entirely independent of the organization's culture.
(D) A strong culture guarantees a positive climate in all circumstances.

275. Based on the passage, which statement is true?
(A) Managing climate and culture requires the exact same strategies.
(B) Culture is more temporary and easier to influence than climate.
(C) Climate is a surface-level manifestation that employees perceive in their immediate environment.
(D) The primary component of organizational culture is its formal rules and procedures.

Direction : Please read the following source carefully.

The contemporary workplace is increasingly characterized by workforce diversity, which refers to the heterogeneity of employees in terms of attributes such as age, gender, race, ethnicity, sexual orientation, and physical ability. Managing this diversity is not merely a matter of legal compliance or social responsibility; it is a strategic imperative that can yield significant organizational benefits, including enhanced creativity, broader problem-solving perspectives, and improved decision-making. However, if not managed effectively, diversity can also lead to challenges such as communication barriers, interpersonal conflicts, and the formation of subgroups or cliques. This complexity is magnified in the context of a globalized business environment, which necessitates an understanding of cross-cultural organisational behaviour. This field examines how cultural differences across nations and regions influence behaviour within organizations. What is considered a motivating practice or an effective leadership style in one culture may be ineffective or even offensive in another. Therefore, multinational organizations must move beyond a one-size-fits-all approach and develop cross-cultural literacy. This involves training managers and employees to recognize, understand, and adapt to different cultural norms, values, and communication styles to foster effective collaboration and leverage the full potential of a global workforce.

Based on the above source, attempt the following

Click Here to Buy book on Amazon

five questions.

276. What does "workforce diversity" refer to, according to the text?
(A) The heterogeneity of employees based on attributes like age, gender, and ethnicity.
(B) The variety of products and services offered by an organization.
(C) The different functional departments within a company.
(D) The geographical dispersion of an organization's offices.

277. According to the paragraph, which of the following is a potential benefit of a diverse workforce?
(A) Reduced communication challenges and conflicts.
(B) A more homogenous and unified company culture.
(C) Simplified management and leadership processes.
(D) Enhanced creativity and broader problem-solving perspectives.

278. The passage suggests that cross-cultural organisational behaviour is primarily concerned with:
(A) Ensuring all international branches adopt the parent company's culture.
(B) The influence of national and regional cultural differences on workplace behaviour.
(C) The legal requirements for hiring foreign nationals.
(D) The financial benefits of operating in multiple countries.

279. What is the main challenge highlighted in the context of cross-cultural management?
(A) The high cost of international travel for managers.
(B) The difficulty in translating company documents into different languages.
(C) A practice or leadership style effective in one culture may be ineffective in another.
(D) The universal similarity of all cultures makes management redundant.

280. The text implies that for a multinational organization, the most effective approach to management is to:
(A) Enforce a strict, uniform management style across all locations.
(B) Ignore cultural differences as they are irrelevant to business performance.
(C) Hire only employees from the organization's home country.
(D) Develop cross-cultural literacy to adapt to different cultural norms.

Direction : Please read the following source carefully.

The modern workplace is an environment where emotions are an inevitable and influential component of organizational life. Emotions, defined as intense feelings directed at someone or something, significantly impact employee attitudes and behaviours, including decision-making, creativity, and interpersonal relationships. While traditionally viewed as disruptive, contemporary perspectives recognize that both positive and negative emotions can have functional consequences. For instance, enthusiasm can fuel motivation, while anxiety about a deadline can focus attention. However, when negative emotions become chronic or overwhelming, they can lead to stress, a psychological and physiological response to environmental demands that exceed an individual's adaptive capacity. Stress management, therefore, becomes a critical competency for both individuals and organizations. It involves identifying the sources of stress (stressors) and implementing strategies to mitigate their adverse effects. These strategies can be individual-focused, such as time management techniques and mindfulness, or organization-focused, like job redesign, wellness programs, and fostering a supportive culture. Effective stress management is not about eliminating stress entirely, which is impossible, but about managing it to prevent the dysfunctional consequences that undermine employee well-being and organizational productivity.

Based on the above source, attempt the following five questions.

281. According to the passage, emotions in the workplace are:
(A) An inevitable component that influences employee attitudes and behaviours.
(B) Purely disruptive and should be suppressed at all times.

NODIA

(C) Only relevant in customer-facing roles.
(D) Entirely separate from rational decision-making processes.

282. The text defines stress as a:
(A) Positive emotional state that always enhances performance.
(B) Psychological and physiological response when demands exceed an individual's capacity.
(C) Completely avoidable workplace phenomenon.
(D) Synonym for poor time management skills.

283. Which of the following is presented as an organization-focused stress management strategy?
(A) Individual mindfulness exercises.
(B) Job redesign and wellness programs.
(C) Personal time management techniques.
(D) An employee's personal fitness routine.

284. What is the main objective of effective stress management as described in the passage?
(A) To manage stress to prevent its dysfunctional consequences.
(B) To completely eliminate all sources of stress from the workplace.
(C) To identify and discipline employees who experience stress.
(D) To focus solely on the physiological symptoms of stress.

285. The contemporary perspective on emotions mentioned in the text suggests that:
(A) Only positive emotions like enthusiasm are functional in the workplace.
(B) Emotions have no real impact on organizational productivity.
(C) Both positive and negative emotions can have functional consequences.
(D) Negative emotions always lead to decreased productivity.

Direction : Please read the following source carefully.

The concept of organisational justice is fundamental to employees' perceptions of fairness within their work environment. It is a multi-faceted construct, generally understood to comprise distributive, procedural, and interactional justice. Distributive justice pertains to the perceived fairness of outcomes, such as pay, promotions, or work assignments. Procedural justice, on the other hand, relates to the perceived fairness of the processes used to determine those outcomes. Even if an outcome is unfavourable, an employee might accept it if they believe the process was fair, transparent, and consistently applied. Interactional justice refers to the perceived fairness of the interpersonal treatment people receive when procedures are implemented, emphasizing dignity, respect, and politeness. A profound and pervasive sense of injustice across these dimensions can foster a climate of mistrust and dissatisfaction, potentially leading to extreme employee responses. One such response is whistle-blowing, which is the act of an employee exposing any kind of information or activity within an organization that is deemed illegal, unethical, or incorrect. Whistle-blowing is often a last resort, undertaken when an individual perceives that internal channels for addressing wrongdoing are unresponsive or complicit, and that a grave injustice cannot be rectified otherwise.

Based on the above source, attempt the following five questions.

286. An employee being upset about a promotion decision because they believe the selection process was biased and inconsistent is an example of a concern related to:
(A) Distributive justice.
(B) Interactional justice.
(C) Whistle-blowing.
(D) Procedural justice.

287. According to the text, which type of justice concerns the perceived fairness of outcomes like pay and promotions?
(A) Procedural justice.
(B) Interactional justice.
(C) Distributive justice.
(D) Retributive justice.

288. The passage defines whistle-blowing as:
(A) A formal process for requesting a promotion.
(B) The act of an employee exposing illegal or unethical organizational activities.
(C) An everyday interpersonal disagreement between colleagues.
(D) A program designed to encourage employee

Downloaded from www.pdf.tube

suggestions for improvement.

289. Interactional justice, as described in the paragraph, is primarily concerned with:
(A) The final allocation of organizational resources.
(B) The formal steps involved in decision-making.
(C) The amount of compensation an employee receives.
(D) The dignity and respect shown during interpersonal treatment.

290. The text suggests that whistle-blowing is often undertaken when:
(A) The employee perceives that internal channels for addressing wrongdoing have failed.
(B) An employee receives a slightly smaller bonus than expected.
(C) The employee is seeking personal fame and recognition.
(D) The organization has a perfect record of procedural and distributive justice.

Direction : Please read the following source carefully.

Human Resource Management (HRM) is a strategic and comprehensive approach to managing people and the workplace culture and environment. Its concept has evolved from a purely administrative function to a strategic partner in achieving organizational objectives. Different perspectives on HRM exist, viewing it alternately as a tool for maximizing employee efficiency, a means of ensuring social justice and employee well-being, or a critical lever for strategic advantage. The practice of HRM is significantly influenced by a confluence of external factors, such as government regulations, economic conditions, and technological advancements, as well as internal factors like organizational culture and business strategy. Recent trends indicate a shift towards data-driven HR, a greater focus on employee experience, and the management of a flexible, diverse workforce. A cornerstone of strategic HRM is Human Resource Planning (HRP), the continuous process of systematic planning ahead to achieve optimum use of an organization's most valuable asset—its human resources. HRP logically precedes the core staffing functions of recruitment, which involves attracting a pool of qualified candidates, and selection, the process of choosing the best candidates from that pool. These are followed by induction, which integrates new employees into the organization, and subsequent training and development to enhance their skills and capabilities.

Based on the above source, attempt the following five questions.

291. According to the paragraph, the concept of Human Resource Management has evolved from:
(A) A strategic partner to a purely administrative function.
(B) A focus on technology to a focus on finance.
(C) A purely administrative function to a strategic partner.
(D) A concern for social justice to a tool for efficiency only.

292. Which of the following is described as a continuous process of systematic planning for the optimum use of human resources?
(A) Human Resource Planning (HRP).
(B) Recruitment.
(C) Selection.
(D) Induction.

293. The passage identifies recruitment as the process of:
(A) Choosing the best candidate for a job.
(B) Integrating new employees into the organization.
(C) Enhancing the skills and capabilities of current employees.
(D) Attracting a pool of qualified candidates.

294. Which of the following is mentioned as an external factor influencing HRM?
(A) Organizational culture.
(B) Economic conditions.
(C) Business strategy.
(D) The existing workforce's skill level.

295. The text suggests that Human Resource Planning (HRP) logically precedes which of the following activities?
(A) Performance appraisal and compensation.
(B) Employee exit interviews.
(C) Recruitment and selection.

NODIA

(D) Organizational restructuring.

Direction : Please read the following source carefully.

A structured and equitable compensation system is built upon a foundation of systematic human resource processes, beginning with Job Analysis. Job Analysis is the detailed and systematic process of collecting information about a job, including its primary tasks, responsibilities, necessary skills, and the work environment. It serves as the bedrock for nearly all HR functions. One of its most critical applications is in Job Evaluation, which is the subsequent process of systematically determining the relative worth of different jobs within an organization. The goal of job evaluation is not to assess the performance of the person holding the job, but to assess the value of the job itself to the organization, thereby establishing internal equity. Once the relative worth of jobs is established, this information becomes a key input for Compensation Management. Compensation management is the design, implementation, and administration of a comprehensive compensation system that includes base pay, incentives, and benefits. The aim is to create a pay structure that is not only internally equitable (as informed by job evaluation) but also externally competitive to attract and retain talent. This integrated approach ensures that compensation is tied logically to the requirements and value of each job, fostering fairness and motivation.

Based on the above source, attempt the following five questions.

296. What is the primary purpose of Job Analysis as described in the passage?
(A) To evaluate the performance of the employee currently in the job.
(B) To determine the salary for a specific employee.
(C) To design an organization-wide benefits package.
(D) To systematically collect detailed information about a job's tasks and responsibilities.

297. The text states that the main goal of Job Evaluation is to:
(A) Determine the relative worth of different jobs within the organization.
(B) Assess the performance of the person holding the job.
(C) Analyze the external market rates for a particular job.
(D) Recruit candidates for a vacant position.

298. According to the paragraph, the information derived from job evaluation is a key input for which process?
(A) Job Analysis.
(B) Compensation Management.
(C) Recruitment.
(D) Employee training.

299. Establishing "internal equity" is described as the primary outcome of which activity?
(A) Job Analysis.
(B) Job Evaluation.
(C) Compensation Management.
(D) Recruitment.

300. What is the overarching aim of the integrated approach involving job analysis, job evaluation, and compensation management?
(A) To ensure compensation is logically tied to the value of each job, fostering fairness.
(B) To minimize employee salaries across the organization.
(C) To create a compensation system based purely on an employee's seniority.
(D) To replace all fixed pay with performance-based incentives.

www.nodia.in

Click Here to Buy book on Amazon

ANSWERS

1. (B) The study of individual, group, and structural impacts.
Organisational behaviour is a field of study that investigates the impact that individuals, groups, and structure have on behavior within organisations. This knowledge is applied toward improving an organisation's effectiveness. It draws from several disciplines like psychology and sociology to provide a comprehensive understanding of workplace dynamics. By analysing these three levels of influence, managers can better predict and manage human actions to achieve goals.

2. (A) Engineering
Organisational behaviour is an applied behavioural science built upon contributions from several behavioural disciplines. Psychology focuses on individual behaviour, while sociology and anthropology look at groups and organisational systems. Social psychology bridges these areas by examining interpersonal influence. Engineering, while important for technical processes, is not a primary behavioural science contributor. The field emphasises understanding human actions and social interactions rather than purely technical or physical mechanical systems.

3. (A) Both Statement I and Statement II are correct.
The autocratic model of organisational behaviour is based on power and authority, where management believes they know what is best for the organisation. In contrast, the collegial model focuses on teamwork and partnership. It encourages employees to feel a sense of ownership and responsibility toward organisational goals. Both statements accurately reflect the core orientations of these specific frameworks, highlighting the diverse ways management can interact with their workforce.

4. (D) The human relations approach
The Hawthorne Studies conducted at Western Electric marked a significant turning point in the study of organisational behaviour. These experiments shifted the focus from purely scientific management and physical working conditions to the importance of social factors and employee psychology. They highlighted that social needs, group norms, and supervisor attention significantly influence productivity. This research laid the foundation for the human relations approach to management and organisational studies.

5. (A) P-3, Q-4, R-1, S-2
Different models of organisational behaviour are defined by their underlying foundations and management orientations. The autocratic model relies on power, while the custodial model is based on economic resources. The supportive model depends on leadership to encourage employees, and the collegial model is built on a sense of partnership. Understanding these relationships helps in identifying how different organisational environments motivate their staff and structure their internal management strategies.

6. (B) Personality is generally considered to be static and unchangeable after adolescence.
Personality represents the sum total of ways in which an individual reacts to and interacts with others. While it develops over time, it is not considered static or unchangeable after adolescence. Research shows that personality traits can evolve due to significant life experiences and environmental changes. It is influenced by both genetic factors and the surrounding social environment. Measuring personality through tests helps organisations understand employee fit.

7. (D) Conscientiousness
In the Big Five Personality Model, conscientiousness is the dimension that measures reliability and personal organisation. Individuals who score high in this area are typically very responsible, dependable, persistent, and organised. They are often achievement-oriented and tend to perform well in most occupational settings due to their disciplined approach to work. This trait is a strong predictor

Downloaded from www.pdf.tube

of job performance across various industries and different organisational roles.

8. (B) Both A and R are true but R is not the correct explanation of A.
Perception is the complex psychological process through which individuals organise and interpret sensory impressions to give meaning to their environment. It is factually true that what one perceives can be substantially different from objective reality due to various filters. However, the fact that perception differs from reality does not explain the definition of the process itself. Both statements provide accurate information about the nature and definition of human perception.

9. (C) Halo Effect
The halo effect occurs when an individual draws a general impression about another person based on a single characteristic, such as intelligence or appearance. This cognitive bias can lead to skewed evaluations in the workplace, particularly during interviews or performance appraisals. It differs from stereotyping, which involves judging someone based on their group. Recognising this effect is crucial for managers to ensure they are making objective and fair assessments.

10. (B) a, c, and e only
According to Rokeach's Value Survey, terminal values are desirable end-states of existence. These represent the goals that a person would like to achieve during their lifetime, such as a comfortable life, a sense of accomplishment, and self-respect. In contrast, instrumental values are preferable modes of behaviour or means of achieving these terminal values, like being ambitious or honest. Distinguishing between these values helps in understanding individual motivation and long-term goals.

11. (D) Affective component
Attitudes are composed of three distinct parts: cognitive, affective, and behavioural. The affective component specifically refers to the emotional or feeling segment of an attitude. It reflects how an individual feels about a person, object, or event, such as liking or disliking a specific task. This emotional response often drives the other components and plays a significant role in determining how employees react to various workplace situations and changes.

12. (B) Cognitive Dissonance
Cognitive dissonance describes the psychological tension or discomfort that arises when an individual experiences an inconsistency between their attitudes and their behaviour. People generally seek a stable state where their beliefs and actions align. When a discrepancy occurs, individuals are motivated to reduce the dissonance by changing either the behaviour or the attitude. This concept is vital for understanding how employees process conflicting expectations or values within a professional environment.

13. (D) a, b, and d only
Learning is defined as a relatively permanent change in behaviour that occurs as a result of experience. It can happen through direct experience or by observing others and is not always immediately observable. Importantly, changes in behaviour that result from physical maturation or temporary states like fatigue are not classified as learning. Understanding these principles allows organisations to design effective training programs that lead to genuine and lasting skill development.

14. (D) Positive Reinforcement
Positive reinforcement occurs when a desirable consequence follows a behaviour, making that behaviour more likely to be repeated in the future. In a management context, providing praise for a job well done serves as a reward that strengthens the employee's commitment to high-quality work. This approach is a key tool in operant conditioning for shaping employee behaviour. It focuses on rewarding successful actions rather than punishing failures to motivate staff.

15. (A) 5, 2, 3, 1, 4
The perception process begins with receiving stimulation from the environment. Once sensory data is received, the individual selects specific information to focus on and organises it into a meaningful pattern. Following organisation, the individual interprets and evaluates the information based on their past experiences and biases. Finally, the process concludes with a response, which can be behavioural or emotional.

NODIA

This sequence ensures environmental data is processed into a usable mental format.

16. (A) Both Statement I and Statement II are correct.
Classical conditioning involves learning through association, where a conditioned stimulus is paired with an unconditioned stimulus to elicit a response. Operant conditioning, however, focuses on how behaviour is influenced by its consequences. In this model, individuals learn to associate specific actions with positive or negative outcomes. Both theories provide fundamental insights into how humans and animals learn and adapt their behaviour based on the environment and its resulting feedback.

17. (B) Self-actualization needs
Maslow's Hierarchy of Needs identifies five levels of human needs arranged in a pyramid. At the very top is self-actualisation, which represents the drive to become what one is capable of becoming. This includes personal growth, achieving one's potential, and self-fulfilment. Before this high-level need can be addressed, lower-level needs like physiological requirements, safety, social belonging, and esteem must be substantially satisfied. It represents the ultimate level of psychological development.

18. (A) Both A and R are true and R is the correct explanation of A.
Herzberg's Two-Factor Theory posits that the factors leading to job satisfaction, called motivators, are separate from those causing dissatisfaction, known as hygiene factors. The theory suggests that the presence of hygiene factors only prevents dissatisfaction but does not create satisfaction. Therefore, the opposite of satisfaction is not dissatisfaction, but rather no satisfaction. This unique perspective helps managers understand that simply improving working conditions may not be enough to truly motivate employees.

19. (C) Goal-Setting Theory
Goal-setting theory suggests that specific and difficult goals, when accepted by the individual, lead to higher performance than easy or vague goals. Feedback is also a critical component, as it helps individuals track their progress and adjust their efforts. This approach motivates employees by providing clear direction and a sense of challenge. It is widely used in performance management systems to align individual efforts with the broader objectives of the entire organisation.

20. (C) a, c, and e only
A formal group is defined by the organisation's structure, featuring designated work assignments and established tasks. The behaviour of members in such groups is stipulated by and directed toward achieving specific organisational goals. Unlike informal groups, which emerge naturally based on social needs and contact, formal groups are deliberately created to carry out the essential functions of the business. These groups are fundamental components of an organisation's official operational and hierarchical framework.

21. (C) Storming
In the five-stage group-development model, the storming stage is characterized by intragroup conflict as members resist the constraints the group imposes on individuality. There is often disagreement over who will lead the group and how it will operate. This stage is necessary for the group to establish a hierarchy and define its purpose. Successful resolution of these conflicts allows the group to move forward into the norming and performing stages of development.

22. (B) Task group
A task group consists of individuals who work together to complete a specific job or project. These members often come from different departments or functional areas, creating a cross-functional team focused on a particular outcome, such as a product launch. While command groups are determined by the formal hierarchy, task groups are defined by the objective they are assigned to achieve. They are essential for handling complex projects that require diverse expertise.

23. (A) P-4, Q-3, R-2, S-1
Motivation theories like expectancy and equity involve specific psychological perceptions. Expectancy is the belief that effort leads to performance, while instrumentality is the belief that performance results in outcomes. Valence refers to the personal value attached to those outcomes. Equity involves the perceived fairness of what is received compared to others. These components work together to determine the level

Click Here to Buy book on Amazon

of motivation an individual feels toward their tasks and the effort they are willing to exert.

24. (A) Social Loafing
Social loafing is the tendency for individuals to expend less effort when working in a group than when working alone. This phenomenon often occurs because individuals feel less personally accountable for the group's outcome. It can negatively impact team productivity and morale. To counter social loafing, managers can use smaller groups, assign individual tasks, and establish clear individual accountability. Understanding this concept is crucial for designing effective and highly productive work teams.

25. (C) Compensation
Team effectiveness is generally measured across three core dimensions: context, composition, and process. Context includes adequate resources and leadership; composition refers to the skills and personalities of members; and process involves common purposes and goals. While compensation is an important factor in individual motivation and HR management, it is not typically categorized as one of the primary core dimensions for assessing how effectively a team functions together to achieve its objectives.

26. (A) It is a one-time activity that guarantees long-term team success.
Team building is an ongoing process designed to improve the effectiveness of work groups. It focuses on enhancing both task performance and interpersonal relationships through activities like goal setting and role clarification. Contrary to some beliefs, it is not a one-time event and does not guarantee permanent success. Maintaining a high-performing team requires continuous effort, regular communication, and periodic interventions to address new challenges and evolving group dynamics within the workplace environment.

27. (D) Leadership
Leadership is the ability to influence and guide a group toward the achievement of a specific vision or set of goals. While management focuses on maintaining order and consistency through formal authority, leadership is about creating change and inspiring others. It involves developing a vision for the future and motivating people to overcome obstacles to reach that vision. Effective organisations require individuals who can provide both strong management and visionary leadership to succeed.

NODIA

28. (B) Trait Theories
Trait theories of leadership focus on identifying the personal qualities and characteristics that distinguish leaders from non-leaders. These theories suggest that certain inherent attributes, such as ambition, energy, and integrity, make individuals more likely to be successful leaders. While early research struggled to find a definitive list of traits, the emergence of the Big Five model has renewed interest in how personality relates to leadership emergence and effectiveness in various organisational settings.

29. (B) b and d only
The Ohio State Studies identified two major dimensions of leadership behaviour: initiating structure and consideration. Initiating structure refers to the extent to which a leader defines and structures their role and those of subordinates to attain goals. Consideration is the extent to which a leader has job relationships characterised by mutual trust and respect for employees' ideas. These two dimensions provided a foundation for understanding how leaders balance task requirements with the social needs of their followers.

30. (D) Selling (high task-high relationship)
Hersey and Blanchard's Situational Leadership Theory proposes that leaders should adjust their style based on the readiness of their followers. For followers who are unable but willing to do the job, the selling style is recommended. This style involves high task orientation to provide necessary guidance and high relationship orientation to support and maintain their motivation. It aims to compensate for the followers' lack of ability while reinforcing their positive attitude and commitment to the task.

31. (A) Both Statement I and Statement II are correct.
Charismatic leadership theory suggests that followers attribute extraordinary abilities to leaders who exhibit specific behaviours, like having a vision and taking personal risks. Transformational leadership takes this further

by inspiring followers to move beyond their own self-interests for the benefit of the organisation. Both theories highlight the power of leaders to influence followers' perceptions and motivations deeply. They focus on the symbolic and emotional aspects of leadership that drive exceptional performance and commitment.

32. (B) Informal communication channel
The grapevine represents the informal communication network within an organisation. It operates outside the official, formal channels and is driven by social interactions and the need for information. While it can spread rumours, it also serves as a vital source of information for employees and provides feedback to management. Understanding the grapevine helps managers gauge employee morale and address concerns that may not be communicated through formal reports or official meetings.

33. (B) Parent, Adult, Child
Transactional Analysis is a theory of personality and interpersonal behaviour developed by Eric Berne. Its central concept revolves around three ego states: Parent, Adult, and Child. The Parent state represents learned behaviours and attitudes from authority figures. The Adult state is characterized by rational and logical thinking. The Child state involves emotions and behaviours from childhood. Analysing which state an individual is in during an interaction helps improve communication and resolve interpersonal conflicts effectively.

34. (A) Complementary Transaction
A complementary transaction occurs when the ego states of the sender and receiver are aligned, leading to expected and natural communication. For example, if a sender speaks from an Adult state to another's Adult state and receives an Adult response, the transaction is complementary. These interactions are generally productive and allow communication to continue indefinitely. Identifying and fostering complementary transactions is a key goal of Transactional Analysis for maintaining healthy and effective interpersonal relationships at work.

35. (D) a, b, c, and d only
In Transactional Analysis, life positions are the basic beliefs people hold about themselves and others. There are four primary positions: I'm OK, You're OK; I'm OK, You're not OK; I'm not OK, You're OK; and I'm not OK, You're not OK. These positions are formed early in life and influence how individuals interact and communicate throughout their adulthood. The "I'm OK, You're OK" position is considered the healthiest and most productive for effective interpersonal relationships and teamwork.

36. (D) Organisational Culture
Organisational culture refers to the system of shared meaning, values, and beliefs held by members that distinguishes one organisation from another. It acts as the "personality" of the company, influencing how employees behave and interact. A strong culture provides a sense of identity and guides decision-making at all levels. It is transmitted through stories, rituals, and symbols. Understanding this culture is essential for managing change and ensuring alignment between employee actions and organisational goals.

37. (C) Lower behavioural control
A strong organisational culture is characterized by core values that are intensely held and widely shared. When values are deeply embedded, they act as a powerful substitute for formal rules and regulations. This results in high behavioural consistency among employees, meaning the organisation requires less formal control to guide actions. While it increases commitment and reduces turnover, it can also lead to resistance toward change if the existing culture does not align with new strategic directions.

38. (A) Both A and R are true and R is the correct explanation of A.
Organisational culture is a descriptive term because it focuses on how employees perceive the characteristics and values of the organisation. It asks what the organisation is like. In contrast, job satisfaction is an evaluative term because it measures how employees feel about their work. It asks whether they like their jobs. Therefore, culture describes the workplace environment as it is perceived, regardless of whether those perceptions lead to feelings of satisfaction or dissatisfaction among the staff.

Downloaded from www.pdf.tube

39. (D) Socialization
Socialisation is the process through which new employees learn and adapt to the values, norms, and expected behaviours of an organisation's culture. It helps newcomers transition from being outsiders to productive insiders. This process typically occurs in stages, starting before the employee joins and continuing as they interact with colleagues and experience the daily reality of the workplace. Effective socialisation increases job satisfaction and commitment while reducing the stress and uncertainty associated with starting a new job.

40. (B) 3, 1, 2
The organisational socialisation process occurs in three distinct stages. It begins with prearrival, which includes all the learning that takes place before a new member joins. The second stage is encounter, where the new employee sees what the organisation is really like and may confront discrepancies between expectations and reality. The final stage is metamorphosis, where the individual changes and adjusts to the job and the group's norms, becoming a fully integrated member.

41. (C) Financial profitability
Organisational culture is defined by several primary characteristics that describe the essence of the organisation. These include innovation and risk-taking, attention to detail, outcome orientation, people orientation, team orientation, aggressiveness, and stability. While financial profitability is a crucial goal and an outcome of a successful organisation, it is not considered one of the core descriptive characteristics that define the internal culture and the shared values that guide the daily behaviour and interactions of its members.

42. (A) The perceptions that employees have about their work environment.
Organisational climate refers to the shared perceptions that employees have about their organisation and work environment. It reflects the "atmosphere" of the workplace, influenced by policies, practices, and procedures. While culture represents deep-seated values and beliefs, climate is more concerned with how employees experience the organisational life on a daily basis. A positive climate can enhance employee motivation and performance, while a negative one can lead to higher levels of stress and turnover.

43. (D) Cross-Cultural Organisational Behaviour
Cross-cultural organisational behaviour involves studying and managing behaviour in organisations that operate across different nations and cultures. It focuses on how cultural differences influence employee attitudes, motivations, and interactions. A manager in a multicultural environment must understand these nuances to adapt their leadership style and communication effectively. This field is increasingly important in a globalised economy, where organisations often employ diverse workforces and operate in multiple countries with varying social norms and values.

44. (B) Uncertainty Avoidance
Uncertainty avoidance is a cultural dimension identified by Geert Hofstede. It describes the degree to which people in a society feel uncomfortable with ambiguity and unstructured situations. Cultures with high uncertainty avoidance prefer clear rules, structured environments, and stability to minimize risk. In contrast, cultures with low uncertainty avoidance are more comfortable with change and taking risks. Understanding this dimension helps managers design appropriate control systems and communication strategies for employees from different cultural backgrounds and orientations.

45. (A) a, c, and d only
Work force diversity refers to the various ways in which people in an organisation are different from one another, including age, gender, race, disability, and sexual orientation. It is a broad concept that goes far beyond just race and gender. Effectively managing this diversity can provide a significant competitive advantage by bringing in a wider range of perspectives and skills. Organisations that embrace diversity are better equipped to innovate and serve a diverse global customer base.

46. (D) A barrier preventing the advancement of minorities.
The "glass ceiling" is a metaphorical term used to describe an invisible but strong barrier that prevents women and other minorities

NODIA

from advancing to top-level positions within an organisation. Despite having the necessary qualifications and experience, these individuals find their career progress halted by systemic biases and cultural norms. Addressing the glass ceiling involves implementing policies that promote equality, providing mentorship opportunities, and fostering an inclusive organisational culture that values merit and diversity at all levels.

47. (A) Emotions
Emotions are intense feelings directed at a specific person or thing. They are typically short-lived and are often accompanied by distinct facial expressions. Emotions differ from moods, which are less intense and often lack a clear contextual stimulus. In the workplace, emotions can significantly influence decision-making, interpersonal relationships, and overall performance. Understanding and managing emotions is a key component of emotional intelligence, which is essential for effective leadership and teamwork in any modern organisational setting.

48. (B) The display of expected emotions during work interactions.
Emotional labour occurs when employees are required to express specific, organisationally desired emotions during interpersonal transactions at work. This is common in service roles, where staff must remain polite and cheerful even when dealing with difficult customers. It can lead to emotional exhaustion and stress if there is a conflict between felt emotions and displayed emotions. Managing emotional labour involves providing support and training to help employees handle the demands of their roles without compromising their well-being.

49. (D) Statement I is incorrect, but Statement II is correct.
Stress is not always negative; while excessive stress can be harmful, a certain amount can actually enhance performance. This positive form of stress is known as eustress. It can act as a motivator, helping individuals focus and perform better under pressure. In contrast, distress is the negative type that leads to exhaustion and health problems. Effective stress management involves finding the right balance where individuals feel challenged and motivated without being overwhelmed by excessive or prolonged pressure.

50. (B) P-3, Q-2, R-4, S-1
Different leadership theories offer unique perspectives on effectiveness. The path-goal theory focuses on clarifying the follower's path to success, while Fiedler's model examines situational variables like task structure and power. Transformational leadership emphasises inspiring followers through idealized influence and motivation. Trait theory, often linked to the "great man" approach, searches for inherent qualities in leaders. Each of these frameworks helps organisations identify and develop effective leadership behaviours based on the specific needs of their environment and staff.

51. (C) Distributive Justice
Distributive justice refers to the perceived fairness of how outcomes, such as pay and recognition, are distributed among organisational members. Employees evaluate this by comparing their inputs and outcomes with those of others. If an employee feels their pay is unfair relative to a colleague with similar responsibilities, they experience a lack of distributive justice. This perception can significantly impact employee motivation, job satisfaction, and commitment, potentially leading to increased turnover if the perceived inequity is not addressed.

52. (D) Procedural Justice
Procedural justice is the perceived fairness of the process and methods used to determine organisational outcomes. Even if an outcome is unfavourable, employees are more likely to accept it if they believe the decision-making process was fair, consistent, and transparent. Key elements include bias suppression, accuracy of information, and the opportunity for employees to provide input. High procedural justice fosters trust in management and increases commitment to the organisation, as employees feel they are being treated fairly.

53. (C) The reporting of illegal or unethical practices.
Whistle-blowing occurs when an employee reports illegal, unethical, or illegitimate practices within their organisation to parties who can take action. This can involve reporting to internal management or external authorities

Click Here to Buy book on Amazon

like regulatory agencies or the media. Whistle-blowing is a critical mechanism for ensuring organisational accountability and preventing misconduct. However, it often carries personal risks for the employee. Organisations can encourage ethical behaviour by establishing clear, protected channels for reporting concerns without fear of retaliation or negative consequences.

54. (B) Retaliation and ostracism
Whistle-blowers often face significant negative consequences for reporting organisational misconduct. Despite legal protections in many jurisdictions, they may experience retaliation from management, such as demotion or dismissal, and ostracism from colleagues. These social and professional costs can be a major deterrent for employees who witness wrongdoing. Organisations that value ethics must actively work to protect whistle-blowers and create a culture where reporting concerns is seen as a responsible action that contributes to the long-term health of the company.

55. (B) a, b, c, and d only
Perceptions of high procedural justice are influenced by several key factors in the decision-making process. These include the consistent application of rules, the suppression of personal bias, the use of accurate information, and the existence of a mechanism to correct bad decisions. Unethicality in the process would naturally decrease the perception of justice. Ensuring these positive factors are present helps maintain employee trust and commitment, as they perceive the organisation's internal procedures to be fair and equitable.

56. (A) Managing people to meet organizational objectives.
Human Resource Management is a strategic approach to managing an organisation's most valuable assets: the people who work there. It involves various functions like recruitment, selection, training, and performance management, all aimed at aligning employee efforts with organisational goals. By effectively managing human capital, HRM helps improve productivity and gain a competitive advantage. It bridges the gap between the needs of the employees and the objectives of the business, ensuring a mutually beneficial relationship for both parties.

57. (C) The Hard HRM perspective
The hard HRM perspective views employees primarily as a resource to be used dispassionately and efficiently to achieve organisational goals. In this model, management focuses on cost control and treats labour as a cost to be minimised. It often involves a top-down approach with little emphasis on employee development or involvement. This contrast with the soft HRM perspective, which sees employees as valuable assets to be developed and committed to the organisation for long-term success and growth.

NODIA

58. (A) Both A and R are true and R is the correct explanation of A.
HRM has evolved from a purely administrative role, focused on payroll and record-keeping, to a strategic partner role. This shift is driven by globalisation and technological changes, which require organisations to be more agile and effective. Today, HR professionals are expected to contribute directly to business strategy by managing talent and culture. This strategic alignment ensures that human resources are used effectively to support the organisation's long-term objectives and maintain its competitive position in the global market.

59. (D) Internal organisational culture
HRM practices are influenced by various external factors, including economic conditions, labour market trends, and government regulations. These external forces shape how organisations recruit, compensate, and manage their workforce. Internal organisational culture, while a very powerful influence on HRM, is an internal factor rather than an external one. Understanding both external and internal influences is crucial for developing effective HR strategies that are responsive to the environment while remaining aligned with the organisation's own unique values and internal operating principles.

60. (A) 3, 2, 4, 1
For a new hire, the HRM functions follow a logical chronological sequence. It begins with recruitment, where a pool of qualified candidates is generated. Next is selection, where the best candidate is chosen from the pool. Once hired,

the employee goes through induction to help them adjust to the organisation and their new role. Finally, training is provided to develop the specific skills needed for the job. This systematic process ensures that the right people are brought in and supported.

61. (C) Forecasting future workforce demand and supply.
Human Resource Planning is the process of forecasting an organisation's future demand for and supply of employees. It helps ensures that the organisation has the right number of people with the right skills in the right places at the right time. By identifying potential shortages or surpluses in advance, management can take proactive steps like recruiting new talent or implementing training programs. HRP is essential for aligning the workforce with the organisation's strategic goals and long-term plans.

62. (D) Recruitment
Recruitment is the process of searching for and attracting a pool of qualified candidates for a job opening. It involves identifying potential sources of talent and encouraging individuals to apply. The goal is to create a diverse and capable pool from which the best person can be selected. Effective recruitment strategies use both internal and external sources to reach a wide range of candidates. It is the essential first step in the staffing process that precedes the selection stage.

63. (A) Recruitment involves making a final hiring decision, while selection involves attracting candidates.
Recruitment and selection are two distinct phases of the staffing process. Recruitment is the positive process of attracting a large pool of qualified applicants. Selection, on the other hand, is often described as a negative process because it involves screening out unsuitable candidates to find the best fit for the role. Recruitment precedes selection and aims to create a talent pool, whereas selection is the phase where the final hiring decision is made after evaluating the candidates' skills and qualifications.

64. (B) Help the new employee adjust to the organisation and their job.
Induction, also known as orientation, is designed to help new employees adjust to their new work environment and understand their roles. It provides essential information about the organisation's policies, culture, and expectations. A successful induction program reduces the anxiety newcomers often feel and helps them become productive members of the team more quickly. It is a critical part of the socialisation process, ensuring that employees feel welcomed and prepared to contribute to the organisation's goals from their first day.

65. (C) a, c, and e only
On-the-job training methods occur within the actual work environment, allowing employees to learn while performing their duties. Common methods include job rotation, where employees move through different roles; coaching, which involves one-on-one guidance; and apprenticeship, which combines practical work with related instruction. These methods are effective because they provide immediate feedback and allow for the direct application of skills. In contrast, lectures and case studies are typically off-the-job methods that take place away from the immediate work setting.

66. (A) Job Analysis
Job analysis is a systematic process of gathering and analysing information about the duties, responsibilities, and necessary qualifications for a specific job. It is the fundamental building block for most other HRM activities, including recruitment, selection, training, and performance appraisal. By identifying what a job entails and what skills are required, organisations can ensure they hire the right people and provide them with the necessary support. It results in two key documents: the job description and the job specification.

67. (C) Job Description
A job description is a formal document that outlines the tasks, duties, and responsibilities associated with a particular position. It provides a clear picture of what the employee is expected to do on a daily basis. Along with the job specification, which lists the required qualifications, the job description is a key outcome of the job analysis process. It is used in recruitment to inform candidates about the role and in performance appraisal to evaluate how well employees are meeting expectations.

NODIA

68. (A) Both Statement I and Statement II are correct.
Job evaluation is a systematic process used to determine the relative worth of different jobs within an organisation. By comparing jobs based on factors like skill, effort, and responsibility, management can establish a rational and equitable pay structure. This ensures that employees are paid fairly based on the value their role brings to the organisation. Both statements correctly highlight the definition and primary purpose of job evaluation, which is essential for maintaining internal pay equity and motivating the workforce.

69. (C) Ranking Method
The ranking method is a non-quantitative approach to job evaluation where jobs are compared as a whole and ranked in order of their importance to the organisation. It is simple to use but does not provide a precise measure of the differences between jobs. In contrast, quantitative methods like the point method and factor comparison method use specific criteria to assign numerical values to jobs. While simple, the ranking method is most suitable for smaller organisations with a limited number of roles.

70. (B) a, c, and d only
Total compensation includes all the monetary and non-monetary rewards provided to employees in exchange for their work. The core components are the base salary, incentives and bonuses, and employee benefits like health insurance or retirement plans. While intrinsic rewards like job satisfaction and organisational reputation are important for employee motivation and engagement, they are not typically classified as part of the formal compensation package. A well-designed compensation system balances these different elements to attract, motivate, and retain talent.

71. (D) The degree to which people believe they are masters of their own fate.
Locus of control is a personality attribute that refers to an individual's perception of the main causes of events in their life. People with an internal locus of control believe they can influence their own outcomes through their actions. Those with an external locus of control believe that their lives are controlled by outside forces like luck or other people. This trait significantly impacts how employees approach their work, handle challenges, and take responsibility for their performance within the organisation.

72. (A) Internally or externally caused
Attribution theory suggests that when we observe an individual's behaviour, we attempt to determine whether it was caused by internal or external factors. Internal attributions suggest the behaviour was under the person's control, while external attributions suggest the situation forced the behaviour. This process is influenced by three factors: distinctiveness, consensus, and consistency. Understanding how these attributions are made is crucial for managers when evaluating employee performance and responding to various behaviours in the workplace.

73. (B) P-3, Q-1, R-4, S-2
Personality traits like Machiavellianism, narcissism, and self-monitoring significantly influence workplace behaviour. Machiavellianism is the belief that ends justify the means. Narcissism involves a grandiose sense of self-importance. Self-monitoring is the ability to adjust behaviour based on situational factors, and risk-taking is the willingness to make quick decisions with limited information. Recognising these traits helps managers understand employee motivations and predict how individuals will react in different professional situations and team environments.

74. (A) Overestimate the influence of internal factors and underestimate the influence of external factors when judging others.
The fundamental attribution error is a common bias in social perception where people tend to overestimate internal factors and underestimate external factors when judging others' behaviour. For example, if an employee is late, a manager might assume they are lazy rather than considering external factors like traffic. This error can lead to unfair evaluations and strained relationships. Being aware of this bias allows managers to more objectively consider the situational factors that may be influencing an employee's actions and performance.

75. (D) High internal locus of control
An individual with a high internal locus of control believes that they are responsible for

Downloaded from www.pdf.tube

the outcomes in their life. They see a direct link between their effort and their success or failure. In the workplace, these individuals tend to be more proactive, take more initiative, and are often more satisfied with their jobs. They are generally more motivated to improve their performance because they believe their actions will make a meaningful difference in achieving their professional goals and career advancement.

76. (B) "I believe in treating everyone with respect."
Values represent basic convictions that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite mode of conduct. Unlike attitudes, which are more specific and can change, values are relatively stable and enduring. "Treating everyone with respect" is a fundamental belief that guides an individual's behaviour across different situations. Understanding the values of employees is essential for creating a cohesive organisational culture and ensuring a good person-organisation fit for long-term success.

77. (C) Punishment
Punishment is a learning concept that involves applying an unpleasant consequence or removing a pleasant one to decrease the frequency of an undesirable behaviour. When a manager threatens an employee with a demotion for poor performance, they are using punishment to discourage that behaviour. While it can be effective in the short term, punishment can also lead to negative side effects like resentment and reduced morale. Effective management often involves balancing punishment with positive reinforcement to shape and maintain desired behaviours.

78. (A) Both A and R are true and R is the correct explanation of A.
Alderfer's ERG theory simplifies Maslow's hierarchy into three categories: existence, relatedness, and growth. Unlike Maslow, Alderfer suggests that multiple needs can be active simultaneously. He also introduced the frustration-regression dimension, which posits that if a higher-level need is frustrated, an individual may regress to a lower-level need. This provides a more flexible understanding of human motivation, recognizing that individuals can move up and down the hierarchy based on their experiences and the fulfilment of their various needs.

79. (A) Intensity, direction, and persistence
Motivation is defined by three key elements: intensity, direction, and persistence. Intensity refers to how hard a person tries, but high intensity must be channeled in a direction that benefits the organisation. Persistence measures how long a person can maintain their effort. For an employee to be truly motivated, they must not only work hard but also focus their energy on the right tasks and continue to do so over time, even when faced with significant challenges or obstacles.

NODIA

80. (A) a and b only
Group dynamics involve the study of how people interact within a group setting. Group norms are the acceptable standards of behaviour shared by members, while cohesiveness is the degree to which members are attracted to each other and motivated to stay. Contrary to some beliefs, larger groups are often slower at completing tasks than smaller ones due to social loafing. Additionally, groupthink is a negative phenomenon where the desire for harmony overrides realistic appraisal, leading to poor and ineffective decision-making.

81. (B) Carrying out the group's task.
In the performing stage of the five-stage group development model, the group is fully functional and accepted. The members' energy has moved from getting to know each other and resolving conflicts to actually performing the task at hand. This is the stage where the group is most productive and focused on achieving its goals. For permanent work groups, performing is the final stage of development, while temporary groups will eventually move into the adjourning stage to wrap up activities.

82. (A) Take on responsibilities of their former supervisors.
Self-managed work teams are groups of employees who perform highly related or interdependent jobs and take on many of the responsibilities of their former supervisors. This can include planning and scheduling work, making operating decisions, and taking action on problems. These teams are designed to increase employee involvement and empowerment,

leading to improved productivity and job satisfaction. They represent a significant shift from traditional hierarchical structures toward more collaborative and autonomous ways of working within an organisation.

83. (C) Elimination of all future conflicts.
Team building aims to improve the effectiveness of work groups by enhancing communication, clarifying roles, and developing problem-solving skills. While it helps teams manage and resolve conflicts more effectively, it does not eliminate the possibility of all future disagreements. Conflict is a natural part of group dynamics and can even be beneficial if managed properly. The goal of team building is to provide the group with the tools and relationships needed to navigate these challenges and continue working productively together.

84. (D) Autocratic
An autocratic leadership style is characterized by a leader who makes decisions unilaterally and expects full compliance from subordinates. This leader centralises authority and dictates work methods. While it can be effective in crisis situations where quick decisions are needed, it often leads to low employee morale and stifles creativity in the long run. Modern organisations increasingly favour more participative and democratic styles that encourage employee involvement, but the autocratic style remains relevant in certain structured and high-pressure environments.

85. (A) 2, 4, 5, 1, 3
Maslow's Hierarchy of Needs is arranged in an ascending order of importance. The most basic are physiological needs, followed by safety needs. Once these are met, social needs for belonging and love emerge. Next are esteem needs, including self-respect and recognition. The highest level is self-actualisation, the desire for personal growth and reaching one's full potential. According to this theory, a lower-level need must be substantially satisfied before an individual is motivated to pursue the next higher-level need.

86. (B) Achievement-oriented
According to Path-Goal theory, an achievement-oriented leader sets challenging goals and expects followers to perform at their highest level. This style is most effective when followers have high ability and are motivated by a sense of accomplishment. The leader shows confidence in the followers' ability to meet these high standards. This is one of four leadership styles identified by the theory, which suggests that the most effective style depends on both the characteristics of the followers and the work environment.

87. (D) Parent
In Transactional Analysis, the Parent ego state represents behaviours, thoughts, and feelings copied from parents or parental figures. A statement like "You should always do your work on time" is judgmental and authoritative, which are key characteristics of the Parent state. This state can be either nurturing or critical. Recognising when an individual is speaking from the Parent ego state helps in understanding their interpersonal style and can be crucial for resolving conflicts and improving communication within a professional setting.

88. (C) Statement I is correct, but Statement II is incorrect.
Interpersonal behaviour refers to the interactions and relationships between individuals. Transactional Analysis is a powerful theory of personality that is specifically designed to understand and improve these interpersonal behaviours and communications. By analysing ego states and transactions, individuals can gain insights into their own behaviour and that of others. Therefore, it has significant practical applications in areas like management, teamwork, and conflict resolution, making Statement II incorrect while Statement I accurately defines the basic concept of interpersonal behaviour.

89. (C) Ulterior transactions with a concealed motive, leading to a predictable negative payoff.
In Transactional Analysis, a "game" is a series of ulterior transactions that are repetitive and lead to a predictable, often negative, emotional payoff. These interactions have a hidden psychological level that is different from the social level of the conversation. Games can be destructive in the workplace as they hinder honest communication and problem-solving. Recognising and stopping these games is essential for fostering a more transparent and productive work environment where communication is direct and based on Adult-to-Adult transactions.

Click Here to Buy book on Amazon

90. (A) a, b, c, and d only
Organisational culture serves several key functions that contribute to the stability and effectiveness of a company. It defines boundaries, provides a sense of identity for members, and encourages commitment to the organisation's larger goals beyond individual self-interest. It also acts as a sense-making and control mechanism that guides employee behaviour. While achieving profit is an important organisational outcome, the culture itself is not primarily focused on maximizing short-term profits, but rather on the shared values that shape the organisation's character.

91. (D) Strong culture
A strong culture exists in an organisation where the core values are intensely held and widely shared among the members. In such environments, employees have a clear understanding of the "way things are done" and are highly committed to those values. This strong alignment acts as a powerful guide for behaviour, reducing the need for formal rules and supervision. However, a strong culture can also lead to resistance to change and may act as a barrier to diversity if not managed properly.

92. (B) Organisational Climate
Organisational climate refers to the shared perceptions that employees have about their organisation and work environment. It is the psychological "atmosphere" of the workplace, influenced by policies, leadership styles, and daily interactions. While culture represents deeper values, climate is more concerned with how employees experience those values in their day-to-day work. A positive climate is linked to higher employee engagement and performance, making it a critical area of focus for managers looking to improve organisational effectiveness and employee well-being.

93. (C) Long-Term Orientation
Long-term orientation is one of Hofstede's cultural dimensions that describes a society's focus on the future rather than the past or present. Cultures high in this dimension value thrift, persistence, and traditional values that contribute to long-term success. These societies are more willing to delay immediate gratification for future benefits. Understanding this orientation is important for international managers when planning long-term strategies and motivating employees in different countries, as it influences how people approach work, investment, and the overall concept of time and success.

94. (D) Ethnocentrism
Ethnocentrism is the belief that one's own cultural or ethnic group is superior to others. In an organisational context, this can lead to biases in hiring, promotion, and teamwork, as individuals may judge others based on their own cultural standards. Overcoming ethnocentrism is essential for managing a diverse workforce and operating effectively in a global market. It requires developing cultural intelligence and a more geocentric perspective that values and respects different cultural backgrounds and views them as a source of strength rather than a weakness.

95. (A) Increased creativity and problem-solving
Work force diversity brings numerous benefits to an organisation, most notably increased creativity and improved problem-solving due to the wider range of perspectives and experiences. However, it also presents significant challenges, such as communication problems, potential interpersonal conflicts, and resistance to change from those who are used to a more homogenous environment. Effective diversity management involves addressing these challenges through training and inclusive policies while leveraging the strengths of a diverse team to achieve better organisational outcomes and a competitive advantage.

96. (B) Emotional Intelligence (EQ)
Emotional intelligence is the capacity to recognize, understand, and manage one's own emotions and those of others. It involves several key components: self-awareness, self-regulation, motivation, empathy, and social skills. In the workplace, high EQ is linked to better leadership, improved teamwork, and more effective conflict resolution. Unlike cognitive intelligence (IQ), emotional intelligence can be developed and enhanced over time. It is a critical skill for navigating the complex social and emotional demands of modern professional environments and achieving career success.

NODIA

97. (B) Stress
Stress is a physiological and psychological response to environmental demands that are perceived as challenging or threatening. It occurs when an individual feels they do not have the resources to meet these demands. While some stress can be motivating, chronic or excessive stress can lead to negative health outcomes and decreased work performance. Understanding the sources of stress, both personal and organisational, is essential for developing effective coping strategies and creating a healthier work environment that supports employee well-being and productivity.

98. (B) Both A and R are true but R is not the correct explanation of A.
Organisational justice is concerned with how employees perceive the fairness of their treatment in the workplace. This includes distributive, procedural, and interactional justice. Perceptions of justice are crucial because they significantly influence key outcomes like job satisfaction, commitment, and turnover. While both statements are factually true and reflect the importance of fairness, the second statement about organisational outcomes does not explain why organisational justice is defined by how employees feel about their treatment. They are independent but related concepts.

99. (C) Interpersonal Justice
Interpersonal justice is a dimension of interactional justice that reflects the degree to which employees are treated with politeness, dignity, and respect by those in authority. It focuses on the quality of interpersonal treatment received during the enactment of organisational procedures. When managers treat subordinates with respect, it fosters trust and a sense of value. Lack of interpersonal justice can lead to resentment and decreased motivation, highlighting the importance of respectful communication and leadership in maintaining a positive and productive organisational climate.

100. (A) P-3, Q-1, R-4, S-2
Different perspectives in HRM reflect varying views on the relationship between management and employees. Soft HRM sees employees as valuable assets to be developed, while hard HRM treats them as a resource to be used dispassionately for efficiency. Strategic HRM focuses on aligning HR practices with business strategy for competitive advantage. The pluralist perspective recognizes that organisations and employees have both shared and competing interests. Understanding these models helps in identifying the underlying philosophy and approach an organisation takes toward its human resources.

101. (B) A focus on gig economy and freelance workers.
A significant recent trend in HRM is the rise of the gig economy, where organisations increasingly rely on freelance and contract workers rather than traditional full-time employees. This shift is driven by the need for greater flexibility and the advancement of technology that facilitates remote and project-based work. It presents new challenges for HR, such as managing a more fluid workforce, ensuring legal compliance, and maintaining organisational culture among individuals who are not permanently attached to the company.

102. (C) Analysing organisational objectives and strategic plans.
The human resource planning process must begin with a clear understanding of the organisation's overall objectives and strategic plans. HR needs are derived from the organisation's broader goals, such as expansion into new markets or the adoption of new technologies. By first analysing these plans, HR can then accurately forecast the future demand for and supply of labour. This alignment ensures that the organisation's human capital strategy directly supports its long-term vision and operational requirements for sustainable growth and success.

103. (C) a, b, and d only
Recruitment involves identifying and attracting qualified candidates using various sources. Internal sources, like promotions from within, can boost morale and are generally faster and cheaper. External sources bring in new perspectives and skills. Interestingly, employee referrals are actually considered an internal source because they rely on the existing workforce to identify potential candidates. Understanding the pros and cons of each source allows HR to develop a balanced recruitment strategy that meets the

Downloaded from www.pdf.tube

organisation's talent needs while maintaining a positive internal environment.

104. (B) Assessment Centre
An assessment centre is a comprehensive selection tool that uses a variety of performance-simulation tests to evaluate a candidate's managerial potential. These can include in-basket exercises, role plays, and group discussions. Trained observers evaluate participants on various dimensions like leadership, communication, and decision-making. While more time-consuming and expensive than traditional interviews, assessment centres provide a more accurate and holistic view of a candidate's abilities and their fit for complex managerial roles within the organisation.

105. (B) Off-the-job training
Vestibule training is an off-the-job method where employees are trained on the same equipment they will use on the job, but in a separate, controlled area. This allows them to learn and practice without the pressure of actual production and without the risk of making costly mistakes or disrupting the workflow. It is particularly useful for roles that require a high degree of technical skill or where the work environment is potentially dangerous. This method provides a safe and effective bridge between classroom learning and actual job performance.

106. (C) Job Specification
A job specification is a document that outlines the minimum acceptable qualifications, such as education, experience, skills, and physical abilities, that a person must possess to perform a job successfully. It focuses on the person rather than the task. Along with the job description, it is a key output of the job analysis process. The job specification is essential for the selection process, as it provides the criteria against which candidates are evaluated to ensure they have the necessary competencies for the role.

107. (C) Point Method
The point method is a quantitative job evaluation technique that involves identifying several compensable factors, such as skill, effort, and responsibility. Each factor is broken down into degrees, and points are assigned to each degree. The total points for a job determine its relative worth and its position in the pay hierarchy. This method is widely used because it provides a more objective and detailed basis for comparing jobs than non-quantitative methods, helping organisations establish a fair and consistent internal pay structure.

108. (C) Statement I is correct, but Statement II is incorrect.
Direct compensation refers to the monetary rewards employees receive, such as their base salary and bonuses. Indirect compensation, also known as benefits, includes non-monetary but tangible rewards like health insurance, paid time off, and retirement plans. Non-monetary rewards like flexible hours and recognition are important for motivation but are not typically classified as "compensation" in the formal sense. Therefore, Statement I is correct in its definition of direct compensation, while Statement II incorrectly labels non-monetary motivators as indirect compensation.

109. (C) Variable pay
Pay-for-performance plans are a type of variable pay where an individual's compensation is directly linked to their performance or the performance of the organisation. This can include bonuses, commissions, or profit-sharing. Unlike base pay, which is fixed, variable pay fluctuates based on outcomes. The goal of these plans is to motivate employees to work harder and align their interests with the goals of the organisation. They are a key tool for creating a performance-driven culture and rewarding high-achieving employees for their contributions.

NODIA

110. (C) A sense of personal achievement from completing a challenging task
Intrinsic rewards are the internal psychological rewards that employees experience from the work itself. Examples include a sense of accomplishment, personal growth, and feelings of competence and autonomy. These contrast with extrinsic rewards, which are external, tangible rewards provided by the organisation, such as a bonus or a promotion. While extrinsic rewards are important for attracting and retaining talent, intrinsic rewards are often more powerful for long-term motivation and job satisfaction, as they come from the individual's own experience of their work.

111. (B) A unified, purposeful system composed of interrelated parts.
The systems approach to organisational behaviour views an organisation as a unified, purposeful system made up of many interrelated and interdependent parts. A change in one part of the system can have significant effects on other parts. This perspective emphasises that managers must look at the whole organisation and the external environment to understand how it functions. By viewing the organisation as a system, leadership can better manage the complex interactions between individuals, groups, and the broader organisational structure to achieve common goals.

112. (C) Ability
Ability is an individual's capacity to perform the various tasks in a job. It is a broad concept that includes both intellectual and physical abilities. Intellectual abilities are needed to perform mental activities like thinking and reasoning, while physical abilities are required for tasks involving stamina and strength. An individual's overall ability is a key factor in determining their job performance. Organisations use selection tools to assess these abilities and ensure that employees are placed in roles that match their specific KSAs and capacities.

113. (D) a, b, and d only
Applying motivation theories in a diverse workforce requires understanding cultural nuances. Different cultures may prioritise different needs and have varying concepts of achievement. Furthermore, the effectiveness of employee participation in decision-making often depends on the society's power distance. Interestingly, perceptions of equity are not universal; what is considered fair can differ significantly based on cultural background. Managers must be sensitive to these differences to effectively motivate a diverse team and ensure that their practices are perceived as equitable and culturally appropriate across the entire organisation.

114. (D) The wrapping up of activities for temporary teams.
The adjourning stage was added to the five-stage group development model to specifically address temporary groups, such as task forces or project teams, that have a limited duration. In this stage, the group prepares to disband. The focus shifts from high task performance to wrapping up activities and saying goodbye to fellow members. For some, this stage may involve a sense of loss and low morale, while others may feel a sense of accomplishment. It marks the formal end of the group's life cycle.

115. (C) Participative (Democratic)
A participative or democratic leadership style is characterised by a leader who shares decision-making authority with subordinates and encourages their active input. This approach fosters a sense of ownership and commitment among employees, as they feel their opinions are valued. While the leader still holds the final responsibility, the process is collaborative. This style is particularly effective for complex tasks that benefit from diverse perspectives and can lead to higher levels of job satisfaction and creativity within the team and the entire organisation.

116. (C) Complementary Transaction
In Transactional Analysis, a complementary transaction occurs when the response is expected and the communication flows naturally along the same ego state lines. For example, if a subordinate in a Child ego state seeks guidance or complains to a manager, and the manager responds from a supportive or critical Parent ego state, the transaction is complementary. Such interactions are predictable and can continue for a long time. They reflect a stable, though not always ideal, pattern of communication between the two individuals.

117. (C) The company's annual financial report
Organisational culture is primarily transmitted to employees through various social and symbolic means. These include stories and legends about the company's past, rituals and ceremonies that celebrate shared values, and material symbols and specialised language that create a sense of identity. While the company's annual financial report provides important information about performance and financial health, it is a formal document and is not typically a primary vehicle for communicating the deeper, unwritten values and norms that define the organisation's internal culture and social environment.

Click Here to Buy book on Amazon

118. (C) Individual coping strategies have no impact on experienced stress levels.
Stress is a complex phenomenon influenced by both organisational stressors, like role ambiguity, and personal factors. Organisations can manage stress through job redesign and wellness programs. Crucially, individual coping strategies do have a significant impact on how much stress a person experiences. Some people may use positive coping mechanisms like exercise and time management, while others may struggle. Recognising that individuals respond differently to the same stressors allows organisations to provide more tailored support and help employees develop effective ways to manage their well-being.

119. (A) 'Soft' HRM emphasizes the human aspect and employee development, while 'hard' HRM focuses on resource efficiency.
The distinction between 'soft' and 'hard' HRM lies in their fundamental view of the employee. 'Soft' HRM emphasises the importance of the human aspect, focusing on employee commitment, development, and participation. It sees employees as valuable assets to be nurtured. In contrast, 'hard' HRM focuses on resource efficiency and cost control, viewing employees primarily as a factor of production to be used dispassionately and efficiently to achieve organisational goals. Both approaches have their place depending on the organisation's strategy and the external environment.

120. (C) To determine the initial hiring decision for a candidate pool.
Training and development are focused on improving the skills and abilities of current employees. Training usually focuses on the skills needed for the current job, while development prepares employees for future responsibilities and increases their overall capacity for change. The initial hiring decision, however, is the primary goal of the recruitment and selection processes. Once hired, training and development then take over to ensure the employee remains productive, adaptable, and capable of contributing to the organisation's long-term success and growth.

121. (C) Job Evaluation
Job evaluation is the systematic process of determining the relative worth of different jobs within an organisation. By comparing jobs based on factors like skill, effort, and responsibility, management can establish a fair and logical pay structure. This ensures that jobs of similar value are paid equally, which is essential for maintaining internal pay equity. Unlike job analysis, which describes the tasks and qualifications, job evaluation focuses on the value or value of the job in relation to other roles.

122. (D) Statement I is incorrect, but Statement II is correct.
Perception is not a passive recording of objective reality; rather, it is an active psychological process where individuals interpret sensory data to create a meaningful picture of their environment. This process is influenced by factors in the perceiver, the target being perceived, and the situation in which the perception occurs. Because of these filters, what one person perceives can be significantly different from objective reality and from what another person perceives in the same situation. Understanding these influences is vital for effective management.

123. (B) Attribute their own successes to internal factors and put the blame for failures on external factors.
The self-serving bias is a common cognitive bias in which individuals tend to attribute their own successes to internal factors like ability or effort while blaming their failures on external factors like bad luck or unfair situations. This bias helps protect an individual's self-esteem but can lead to a lack of accountability and hinder personal growth. In the workplace, managers must be aware of this bias when evaluating their own performance and when providing feedback to subordinates to ensure objectivity.

124. (B) Achievement, Power, and Affiliation
McClelland's Theory of Needs identifies three primary motivators that influence human behaviour in the workplace: the need for achievement, the need for power, and the need for affiliation. High achievers seek personal responsibility and feedback. Those with a high need for power desire to influence others and control their environment. Individuals with a high need for affiliation seek close interpersonal relationships and harmony. Understanding an employee's dominant need can help managers

Downloaded from www.pdf.tube

provide the right environment and rewards to motivate them effectively.

125. (A) a, b, and c only
Group decision-making offers benefits like diverse perspectives, but it also has potential drawbacks. It is often more time-consuming than individual decision-making and can lead to groupthink, where members suppress dissenting views for the sake of harmony. Additionally, responsibility for the final decision can be ambiguous, making it difficult to hold individuals accountable. While it can lead to higher quality decisions in some cases, it does not always do so, and it typically generates more, not fewer, alternatives than individual efforts.

126. (C) Contingency Theory
Contingency theories of leadership propose that there is no single best way to lead; instead, leadership effectiveness depends on the match between the leader's style and the specific situational demands. These theories, such as Fiedler's model or Hersey and Blanchard's situational leadership, emphasise that leaders must be flexible and adapt their behaviour based on factors like follower readiness and task structure. This approach recognises the complexity of leadership and provides a more nuanced understanding of what makes a leader successful in different organisational contexts.

127. (B) Both A and R are true but R is not the correct explanation of A.
In Transactional Analysis, the Adult ego state is characterised by logical, rational thinking and a focus on objective facts. Effective interpersonal communication often relies on transactions between the Adult states of both parties, as this leads to clear and productive problem-solving. While both statements are true and highlight important aspects of the theory, the fact that Adult-to-Adult communication is effective does not explain the definition of what the Adult ego state is. They represent different parts of the overall TA framework.

128. (B) Specialization and expertise
Functional departmentalisation, where an organisation is divided into specialised areas like production, marketing, and finance, reflects a culture that values expertise and efficiency. In such cultures, employees are expected to have deep knowledge in their specific functional area. While this structure promotes clear career paths and efficient resource use, it can also lead to "silos," where communication between departments is limited. Understanding this cultural orientation helps management address potential communication barriers and ensure that specialised knowledge is integrated effectively across the entire organisation.

129. (A) Performance Orientation and Humane Orientation
The GLOBE (Global Leadership and Organisational Behaviour Effectiveness) project is a large-scale research study that extended Hofstede's work by identifying nine cultural dimensions. Two of the key dimensions added are performance orientation, the degree to which a society encourages and rewards excellence, and humane orientation, the degree to which individuals are encouraged to be fair, altruistic, and kind to others. These dimensions provide a more comprehensive framework for understanding cultural differences and their impact on leadership and organisational behaviour in a globalised economy.

130. (D) Informational Justice
Informational justice is a dimension of organisational justice that focuses on the perceived fairness of the explanations provided for decisions. It is achieved when managers provide clear, complete, and timely information to employees about why certain actions were taken. This transparency helps employees understand the rationale behind decisions, even if they are unfavourable, and reduces uncertainty and resentment. High informational justice fosters trust and commitment, as employees feel they are being treated as valued and respected members of the organisation.

131. (B) Bridge the gap between current HR capabilities and future needs.
The primary aim of Human Resource Planning is to ensure that the organisation has the right number of people with the right skills in the right places at the right time to achieve its strategic goals. This involves forecasting future HR demand and supply and identifying any potential gaps. By bridging these gaps through recruitment,

NODIA

training, or other HR initiatives, HRP ensures that the organisation's human capital is aligned with its future operational requirements, making it a critical component of strategic management.

132. (C) It brings in fresh perspectives and new skills.
Using external recruitment sources offers several advantages, the most significant being the infusion of new ideas, perspectives, and specialised skills into the organisation. External hires can challenge existing ways of thinking and bring in experiences from other companies or industries. While it can be more costly and carry higher risk than internal recruitment, it is often necessary to fill gaps that cannot be met from within or to drive organisational change and innovation. A balanced approach uses both internal and external sources.

133. (B) Job advertising
Selection methods are tools used to evaluate candidates and choose the best person for a job. Common methods include application forms, employment tests, and interviews. Job advertising, however, is a component of the recruitment process rather than the selection process. Its purpose is to attract a pool of candidates. Once the pool is created, the selection methods are then used to screen those candidates and make a final hiring decision. Understanding this distinction is important for managing the staffing process effectively.

134. (C) It is the same as job evaluation.
Job analysis is a systematic process of gathering information about the tasks, duties, and responsibilities of a job. It results in two key documents: the job description and the job specification. Crucially, it is not the same as job evaluation. While job analysis describes the job itself, job evaluation is used to determine the relative worth of that job for compensation purposes. Job analysis serves as the foundation for most HRM activities, including recruitment, selection, training, and performance management.

135. (A) P-4, Q-2, R-3, S-1
Several key terms in HRM describe different aspects of managing jobs and employees. Job analysis is the systematic process of collecting information about a job. A job description outlines the tasks and responsibilities of that job, while a job specification lists the human qualifications needed. Job evaluation is the process of determining the relative worth of a job for pay purposes. Understanding these definitions is crucial for effectively managing the entire employment lifecycle from recruitment to compensation and performance management.

136. (A) A tendency to be relaxed and patient.
A Type A personality is characterised by a chronic sense of time urgency, an excessive competitive drive, and a need to measure success in terms of quantity. Type A individuals are often impatient and find it difficult to relax. In contrast, a Type B personality is more relaxed, patient, and less driven by a sense of urgency. While Type A individuals can be highly productive, they are also more prone to stress-related health problems. Understanding these personality types helps managers support employee well-being.

137. (B) A group of employees who eat lunch together every day.
Informal groups are social alliances that emerge naturally in the work environment in response to the need for social contact. They are not formally structured or determined by the organisation. Examples include a group of employees who eat lunch together or a group that shares common interests outside of work. In contrast, formal groups like departments or project teams are created by management to perform specific tasks. Informal groups can significantly influence employee morale and communication within the organisation.

138. (C) Shaping
Shaping is a learning technique based on operant conditioning where behaviour is guided toward a desired goal by systematically reinforcing successive approximations of that behaviour. Instead of waiting for the perfect behaviour to occur, the individual is rewarded for each small step they take in the right direction. This method is particularly useful for teaching complex tasks that may be difficult for an individual to perform correctly the first time. Shaping allows for gradual learning and builds confidence as the individual makes progress.

Click Here to Buy book on Amazon

139. (B) Performance will lead to outcomes.
In Vroom's Expectancy Theory, 'instrumentality' is the belief that successful performance will lead to a desired reward or outcome. It is a critical link in the motivational process. If an employee believes they will perform well but does not believe that good performance will be rewarded, their motivation will be low. Managers can increase instrumentality by ensuring that rewards are clearly linked to performance and that the reward system is transparent and consistently applied across the entire organisation to foster trust.

140. (A) a, b, c, and d only
Potential sources of organisational stress include various demands from the work environment. Task demands relate to the job itself, while role demands involve conflicting or unclear expectations. Interpersonal demands arise from relationships with colleagues and supervisors. Organisational structure, such as a highly rigid hierarchy, can also be a source of stress. In contrast, strong social support from colleagues is generally considered a factor that helps mitigate stress and improve employee well-being, rather than being a source of stress itself.

141. (A) The principle of supportive relationships as studied by Rensis Likert.
The supportive model of organisational behaviour is based on the principle of supportive relationships as researched by Rensis Likert. It emphasises the role of leadership in creating a supportive work environment where employees are encouraged to grow and contribute. Unlike models based on power or economic resources, the supportive model depends on leadership to inspire and guide employees. This approach assumes that employees will be motivated and productive if they feel supported and valued by their leaders and the organisation.

142. (B) Theory X
Douglas McGregor's Theory X assumes that most employees are inherently lazy, dislike work, and will avoid it if possible. Therefore, they must be coerced, controlled, and threatened with punishment to achieve organisational goals. Managers who follow Theory X tend to have a highly directive and controlling leadership style. In contrast, Theory Y assumes that employees can find work natural and rewarding and will exercise self-direction if they are committed to the objectives. These different assumptions lead to significantly different management practices.

143. (A) 3, 1, 4, 2
The recruitment process follows a logical sequence to ensure the right talent is attracted effectively. It begins with planning and identifying the specific needs of the organisation. Once the needs are clear, the next step is searching for potential candidates through various channels. After receiving applications, they are screened to identify the most suitable individuals. Finally, the effectiveness of the entire process is evaluated to identify areas for improvement. This systematic approach helps organisations build a strong talent pipeline.

NODIA

144. (A) Culture is about shared values and beliefs, while climate is about shared perceptions of policies and procedures.
Organisational culture and climate are related but distinct concepts. Culture represents the deep-seated, shared values and beliefs that define the organisation's character. It is often enduring and difficult to change. Climate, on the other hand, refers to the more surface-level perceptions that employees have about the organisation's policies, practices, and daily procedures. Climate is more easily influenced by changes in leadership or management practices. Both concepts are essential for understanding employee behaviour and organisational effectiveness in any modern workplace.

145. (A) Both A and R are true and R is the correct explanation of A.
Whistle-blowing is a vital mechanism for ensuring organisational accountability. By reporting misconduct, employees can trigger necessary reforms and prevent further wrongdoing. Organisations that provide clear, protected channels for such reporting are better able to address and correct problems internally before they escalate or are exposed externally. This proactive approach not only helps prevent ethical lapses but also protects the organisation's reputation and long-term health. Both statements correctly highlight the strategic and moral importance of supporting whistle-blowers within a corporate framework.

146. (B) Provides balanced positive and negative information.
A realistic job preview (RJP) is a selection tool that provides candidates with both positive and negative information about the job and the organisation. Instead of only "selling" the job, an RJP gives applicants a clear and balanced view of what to expect. This transparency helps reduce the "reality shock" that new hires often experience and can lead to lower turnover and higher job satisfaction. By providing a realistic picture, organisations attract individuals who are better suited for the role.

147. (C) Skill-based pay
Skill-based pay is a compensation system where pay levels are determined by the number of skills an employee has or the number of jobs they can perform. This system encourages employees to cross-train and develop a wider range of competencies. It provides the organisation with greater flexibility and can lead to improved productivity and job satisfaction. Unlike traditional pay systems based on job title or seniority, skill-based pay rewards employees for their individual growth and their increased value to the company.

148. (C) Statement I is correct, but Statement II is incorrect.
Team building aims to increase group cohesiveness, which is the degree to which members are attracted to each other and motivated to stay in the group. However, high cohesiveness does not always guarantee high productivity. If the group's performance norms are low, a highly cohesive group will actually be less productive, as the members will be more committed to the low standards. Therefore, for a cohesive group to be productive, it must also have high performance norms that are aligned with organisational goals.

149. (C) Skill Variety
Skill variety is one of the five core dimensions of the Job Characteristics Model. It refers to the degree to which a job requires a variety of different activities and involves the use of a number of different skills and talents of the employee. Jobs with high skill variety are generally more challenging and meaningful, leading to higher levels of internal work motivation and job satisfaction. By designing jobs that include a range of tasks, organisations can increase employee engagement and performance.

150. (C) Charismatic/Transformational leadership
Charismatic or transformational leadership is characterised by leaders who inspire and motivate their followers to transcend their own self-interests for the good of the organisation. They provide a clear vision and a sense of mission, instill pride, and gain the respect and trust of their subordinates. These leaders are often seen as heroic or extraordinary, and they have a powerful influence on the values and beliefs of their followers. This leadership style is particularly effective during times of change and crisis.

151. (C) Locus of Control
The Big Five Personality Model identifies five core dimensions that encompass most of the variation in human personality: Agreeableness, Conscientiousness, Emotional Stability, Extraversion, and Openness to Experience. While locus of control is a very important personality attribute in organisational behaviour, it is not considered one of the Big Five traits themselves. Understanding the Big Five helps managers predict employee behaviour and job performance, as each trait has different implications for how individuals interact and perform in various workplace settings and roles.

152. (C) Prearrival
The prearrival stage is the first phase of the organisational socialisation process. it encompasses all the learning that occurs before a new member joins the organisation. This includes the values and expectations the individual brings from their education and previous work experiences. Organisations can influence this stage through their recruitment processes and the information they provide to potential candidates. Recognising that newcomers already have preconceived ideas is important for helping them transition smoothly during the subsequent encounter and metamorphosis stages.

153. (B) An extrinsic reward
An extrinsic reward is a tangible reward provided by the organisation, such as a bonus, a pay raise, or a promotion. It is external to the work itself. When a sales executive receives a bonus for

Downloaded from www.pdf.tube

exceeding a target, they are being motivated by an extrinsic reward. While these rewards are effective for driving performance, they are often less enduring than intrinsic rewards, which come from the internal satisfaction of the work itself. A balanced reward system uses both types.

154. (A) a, b, and c only
Individual-level stress management strategies focus on actions an individual can take to reduce their own stress. These include time management techniques, increased physical exercise, and relaxation training. Strategies like redesigning jobs or building a more supportive organisational climate are organisational-level interventions, as they involve changes to the work environment itself. Providing employees with the tools and support for both individual and organisational strategies is key to maintaining a healthy and productive workforce and reducing the negative impacts of stress.

155. (B) b and c only
Human Resource Planning is a dynamic and ongoing process that is directly linked to an organisation's strategic goals. It helps management anticipate and manage potential shortages and surpluses of employees, ensuring the organisation has the right talent to meet its objectives. HRP uses both quantitative and qualitative methods to forecast needs and is far from a one-time event. By continually reviewing and adjusting HR plans, organisations can remain agile and responsive to changes in both their internal and external environments.

156. (C) Induction
Induction, also known as orientation, is the formal process of introducing a new employee to their job, their colleagues, and the overall organisation. It provides essential information about company policies, culture, and expectations. A well-planned induction program helps reduce the anxiety newcomers often feel and facilitates their smooth integration into the team. It is a critical first step in the socialisation process, ensuring that employees feel prepared and supported to contribute to the organisation's goals from day one.

157. (B) P-4, Q-3, R-2, S-1
Organisational justice encompasses several types of fairness perceptions. Distributive justice relates to the fairness of outcomes like salary. Procedural justice focuses on the fairness of the methods used to make decisions, such as promotion criteria. Interpersonal justice reflects the politeness and respect shown by supervisors. Informational justice is about the clarity and completeness of explanations provided for decisions. Understanding these different types of justice helps managers ensure they are treating employees fairly and maintaining a positive and productive workplace environment.

NODIA

158. (B) Conduct a team-building workshop focused on role clarification and communication.
When a team of highly skilled individuals fails due to interpersonal conflict and lack of coordination, the most appropriate intervention is team building. Focusing on role clarification and communication helps members understand their responsibilities and how to work together effectively. This addresses the underlying process issues that are hindering the team's performance. Financial incentives or replacing members may not solve the core problem of poor coordination. Team building provides the necessary tools and relationships to turn a group of individuals into a high-performing team.

159. (C) Different situations require different behavioural practices for effectiveness.
The contingency approach to organisational behaviour rejects the idea that there is one "best way" to manage. Instead, it argues that the most effective behavioural practices depend on the specific situation. This approach requires managers to identify the key situational variables and adapt their actions accordingly. It recognises the complexity of human behaviour and the organisational environment. By being flexible and responsive to the unique demands of each situation, managers can improve their effectiveness and lead their teams more successfully.

160. (D) Ambition
According to Milton Rokeach's Value Survey, values are divided into two categories: terminal and instrumental. Terminal values are desirable end-states, such as freedom or a world at peace.

Instrumental values are preferable modes of behaviour or means of achieving those terminal values, such as being ambitious, honest, or helpful. Ambition is an instrumental value because it represents a way of behaving that helps an individual achieve their long-term goals. Understanding these values helps in understanding what drives individual behaviour and motivations.

161. (D) Extinction
Extinction is a concept in operant conditioning where a behaviour decreases in frequency because it is no longer reinforced. When a manager ignores a behaviour that was previously reinforced by attention, they are using extinction. Over time, the lack of reinforcement should cause the behaviour to stop. This is a non-punitive way to eliminate undesirable behaviours. However, it requires patience, as the behaviour may initially increase before it begins to decline. It is often used in combination with reinforcing more desirable behaviours.

162. (D) Statement I is incorrect, but Statement II is correct.
Group cohesiveness is not always beneficial for organisational performance. While cohesive groups are generally more satisfied, their productivity depends on the alignment between their performance norms and organisational goals. If a highly cohesive group has low performance norms, the members will be more committed to those low standards, leading to low productivity. Therefore, cohesiveness only leads to high productivity when it is combined with high performance norms. Managers must work to foster both cohesiveness and high standards for team success.

163. (B) Transactional leader
A transactional leader focuses on the exchange between the leader and the followers. They clarify roles and task requirements and guide followers toward established goals by using rewards and punishments based on performance. This style is focused on maintaining stability and achieving short-term objectives. While effective for routine operations, transactional leadership may not inspire the same level of commitment or creativity as transformational leadership, which focuses on inspiring followers to go beyond their own self-interests for the good of the organisation.

164. (B) Adult
In Transactional Analysis, the Adult ego state is characterised by rational, logical, and objective thinking. A statement like "Let's examine the facts and find a logical solution" clearly comes from this state. The Adult state is focused on the here-and-now and processes information based on reality. Effective problem-solving and communication in the workplace often rely on transactions between the Adult states of all parties involved. This state acts as an objective data processor, helping to manage the more emotional Parent and Child states.

165. (B) Outcome orientation
Outcome orientation is a characteristic of organisational culture where management focuses on results or outcomes rather than the techniques and processes used to achieve them. In such cultures, employees are often encouraged to be competitive, aggressive, and highly focused on reaching measurable targets. While this can drive high performance, it may also lead to a "win at all costs" mentality if not balanced with other values like integrity and people orientation. Understanding this cultural trait is key for aligning individual effort with organisational goals.

166. (C) Individualism vs. Collectivism
Individualism vs. collectivism is a key cultural dimension identified by Hofstede. In individualistic cultures like the United States, people prioritise their own goals and achievements. In collectivistic cultures like Japan, the emphasis is on group harmony and the needs of the collective over the individual. This difference can lead to challenges when managers move between these cultures, as they must adapt their leadership style and reward systems to align with the local cultural values and expectations for effective team performance.

167. (C) Re-designing the job to be more manageable.
When an employee experiences stress due to work overload, the most effective organisational-level intervention is to address the source of the stress directly by redesigning the job. This could involve reducing the workload, providing more

Click Here to Buy book on Amazon

resources, or giving the employee more control over their tasks. While individual strategies like meditation are helpful, they do not address the root organisational cause of the stress. By making structural changes to the job, the organisation can improve employee well-being and maintain long-term productivity.

168. (B) The organisation is an integrated and harmonious entity with common goals.
The unitarist perspective in HRM assumes that the organisation is an integrated and harmonious whole where management and employees share the same common goals. In this view, there is no inherent conflict of interest, and trade unions are often seen as unnecessary or even disruptive. The focus is on building commitment and a strong organisational culture to achieve shared success. This contrast with the pluralist perspective, which recognises that different groups within the organisation may have divergent and competing interests that must be managed.

169. (B) It can lead to a lack of new ideas and "inbreeding".
While internal recruitment can boost morale and is often cheaper, a primary disadvantage is the potential for "inbreeding" and a lack of fresh perspectives. When positions are filled exclusively from within, the organisation may become resistant to new ideas and find it difficult to adapt to changes in the environment. This can lead to stagnation over time. To avoid this, many organisations use a combination of internal and external recruitment to ensure a balance of institutional knowledge and new innovative thinking.

170. (D) All of the above
A robust training and development program consists of several key interrelated components. It begins with a needs assessment to identify the gap between current and required skills. This is followed by program design, validation through testing, and implementation. Finally, evaluation is conducted to measure the program's effectiveness and its impact on performance. Each of these steps is essential for ensuring that the training provided is relevant, effective, and provides a good return on the organisation's investment in its people.

171. (C) Job specification
The job specification is the part of a job analysis that focuses on the human characteristics needed to perform the job successfully. It identifies the required knowledge, skills, abilities (KSAs), and other personal attributes. Unlike the job description, which focuses on the tasks and duties of the role, the job specification focuses on the person. This information is critical for recruitment and selection, as it provides the specific criteria against which potential candidates are evaluated and chosen for the position.

172. (A) Both A and R are true and R is the correct explanation of A.
Compensation management is a critical function because it directly impacts an organisation's ability to attract, motivate, and retain talent. An organisation's pay and benefits system influences how employees perceive fairness, both internally and compared to the external market. These perceptions of fairness are key drivers of job satisfaction and overall employee commitment. When employees feel they are being rewarded equitably for their contributions, they are more likely to be engaged and remain with the organisation, supporting its long-term objectives and success.

173. (A) Perception
The halo effect and the horns effect are common cognitive biases in the perception process. The halo effect occurs when an individual's overall positive impression of someone influences their evaluation of specific traits. The horns effect is the opposite, where a negative impression in one area leads to a more negative overall judgment. Both errors can lead to biased and inaccurate assessments of others. Recognising these effects is crucial for ensuring objectivity in areas like interviews, performance appraisals, and daily interpersonal interactions in the workplace.

174. (B) Task-oriented
According to Fiedler's Contingency Model, the most effective leadership style depends on the situation's favourableness. Fiedler found that task-oriented leaders perform best in both highly favourable situations, where they have high control, and highly unfavourable situations, where they need to take charge to get things done. Relationship-oriented leaders, however, perform

NODIA

best in moderately favourable situations. This theory highlights that a leader's effectiveness is not fixed but depends on matching their natural style to the specific demands of the organisational context and follower relationships.

175. (B) Employees from about the same hierarchical level, but from different work areas.
A cross-functional team is composed of employees from approximately the same hierarchical level but from different work areas or departments, such as marketing, finance, and production. These teams are brought together to achieve a specific common goal or to work on a particular project that requires diverse perspectives and expertise. While they can be challenging to manage due to differing functional backgrounds, they are highly effective for solving complex problems and driving innovation through the integration of varied knowledge and viewpoints.

176. (D) Archetypes
Transactional Analysis is built on several core concepts, including ego states (Parent, Adult, Child), transactions between these states, and life positions that reflect basic beliefs about self and others. Archetypes, however, are a concept from Jungian psychology and are not a core component of TA. Understanding the primary TA concepts helps in improving interpersonal communication and understanding individual behaviour patterns. By focusing on how people interact and the psychological states they are in, TA provides practical tools for personal growth and better professional relationships.

177. (B) A set of shared understandings among members of one department or geographical location.
Within a large organisation, subcultures often emerge alongside the dominant culture. These subcultures represent sets of shared meanings and understandings among members of a specific department, functional area, or geographical location. While they share the core values of the dominant culture, they also have their own unique norms and practices. Recognising these subcultures is important for managers to understand the nuances of their organisation and to ensure that various groups are working effectively together toward the company's broader common goals.

178. (C) Cognitive dissonance
Cognitive dissonance is the psychological tension or discomfort that occurs when an individual's behaviour is inconsistent with their attitudes or beliefs. For example, an employee who values environmental sustainability may feel dissonance if their job requires them to perform tasks that are harmful to the environment. People are generally motivated to reduce this discomfort by changing either their actions or their attitudes. Understanding this concept helps managers recognise how conflicting expectations can impact employee well-being, motivation, and their overall commitment to the organisational goals.

179. (B) Increased complexity of legal compliance and focus on diversity and inclusion.
The demand for HR professionals is growing due to the increasing complexity of employment laws and the heightened focus on diversity, equity, and inclusion in the workplace. Organisations need specialists who can ensure legal compliance and build inclusive cultures that attract and retain diverse talent. These challenges require high-level strategic thinking and expertise, making HR a more critical function than ever. As organisations navigate these social and legal complexities, the role of HR becomes central to their overall strategy and long-term success.

NODIA

180. (B) Case Study Method
The case study method is an off-the-job training technique where trainees are presented with a real-life organisational situation and are asked to identify problems and recommend solutions. This method encourages critical thinking, analytical skills, and the application of theoretical knowledge to practical problems. It is widely used in management development programs as it allows participants to learn from the experiences of others and to practice decision-making in a safe and supportive environment, preparing them for the complexities of their actual roles.

181. (B) External equity
A wage and salary survey is primarily conducted to ensure external equity, which is the perceived fairness of an organisation's pay levels compared to what other companies in the same industry or region are paying for similar work. By benchmarking their pay against the market,

organisations can ensure they remain competitive in attracting and retaining talent. Maintaining external equity is crucial for employee motivation and for preventing turnover to competitors who may offer more attractive compensation packages for the same level of expertise.

182. (B) Job enrichment
Job enrichment involves expanding a job vertically by increasing the employee's responsibility and control over their work. By giving an employee a challenging project that requires them to develop new skills, a manager is enriching their job. This approach is based on Herzberg's theory that motivators like responsibility and personal growth lead to higher job satisfaction. Unlike job enlargement, which only adds more tasks, job enrichment makes the work more meaningful and rewarding, leading to higher levels of engagement and performance.

183. (D) Statement I is incorrect, but Statement II is correct.
Organisational Behaviour is not a pure science like physics; instead, it is an applied behavioural science. It draws heavily from disciplines like psychology, sociology, anthropology, and social psychology to understand, predict, and manage human behaviour in work settings. By integrating these different perspectives, OB provides a more complete and nuanced understanding of the complex factors that influence individual and group dynamics within an organisation. This interdisciplinary approach is essential for developing effective management practices and improving the overall organisational effectiveness and health.

184. (C) Give more weight to the most recent information received about a person.
The recency effect is a perceptual bias where individuals give more weight to the most recent information they have received about a person or situation. This can lead to inaccurate judgments, particularly in performance appraisals, if a manager focuses only on an employee's most recent actions rather than their performance over the entire period. To avoid this, it is important to maintain consistent records and to consciously consider information from the entire period being evaluated to ensure a fair and comprehensive assessment.

185. (D) Imaginative, curious, and artistically sensitive.
Openness to experience is one of the Big Five personality traits that describes an individual's range of interests and fascination with novelty. People who score high in this area are typically imaginative, curious, and artistically sensitive. They are more likely to be creative and open to new ideas and ways of doing things. In the workplace, these individuals are often well-suited for roles that require innovation and adaptability to change. Understanding this trait helps managers place employees in positions that align with their natural tendencies.

186. (C) Observational learning and modeling
Social learning theory posits that people can learn new behaviours by observing others and modeling their actions. This concept is central to how individuals adapt to organisational cultures and learn from their peers and supervisors. It involves four key processes: attention, retention, motor reproduction, and reinforcement. By providing positive role models and rewarding desired behaviours, organisations can leverage social learning to effectively shape employee conduct and develop new skills across the workforce. This theory bridges the gap between behavioural and cognitive views of learning.

187. (B) c, d, and e only
Leadership and management are related but distinct functions. Leadership focuses on coping with change and inspiring a vision, while management focuses on coping with complexity and maintaining order through formal processes. Importantly, not all leaders are managers, and not all managers are effective leaders. Successful organisations require a balance of both strong leadership to drive innovation and change, and strong management to ensure that day-to-day operations are performed efficiently and consistently. Both roles are essential for achieving long-term goals and maintaining organisational effectiveness.

188. (C) Low interpersonal justice
When an employee feels that their manager is rude or disrespectful, they are experiencing low interpersonal justice. This is a dimension of organisational justice that focuses on the quality of the interpersonal treatment received

Downloaded from www.pdf.tube

by employees from those in authority. High interpersonal justice involves treating people with politeness, dignity, and respect. When this is lacking, it can lead to feelings of resentment, decreased motivation, and higher levels of stress. Treating employees with respect is fundamental for building trust and maintaining a positive work environment.

189. (C) A wider range of perspectives and improved problem-solving.
A key benefit of having a diverse workforce is the wider range of perspectives, backgrounds, and experiences that employees bring to the organisation. This diversity of thought leads to more creative ideas and improved problem-solving capabilities, particularly when dealing with complex or novel challenges. While managing a diverse team can present communication challenges, the overall impact on innovation and decision-making is a significant competitive advantage in today's global market. Organisations that embrace diversity are better equipped to understand and meet the needs of a diverse customer base.

190. (C) An aggressive and non-supportive organisational culture
Stress can originate from both personal and organisational sources. An aggressive and non-supportive organisational culture is a significant organisational-level stressor, as it can create an environment of fear and high pressure. In contrast, family problems and personal financial issues are individual-level stressors. A pessimistic personality is an individual-level factor that can influence how a person responds to stress. Identifying organisational stressors allows management to take structural and cultural steps to improve the work environment and support employee well-being and long-term productivity.

191. (C) Human resource demand forecasting
The Delphi technique is a qualitative method used in human resource demand forecasting. It involves gathering independent judgments from a group of experts through a series of structured questionnaires and feedback. The goal is to reach a consensus on future HR needs without the influence of face-to-face group pressure. This technique is particularly useful for long-term forecasting or for situations where there is significant uncertainty. By leveraging the expertise of several individuals, organisations can develop more accurate and reliable forecasts for their future human capital requirements.

192. (C) Factor comparison method
The factor comparison method is a quantitative job evaluation technique that combines elements of the ranking and point methods. It involves identifying key compensable factors and comparing jobs based on these factors rather than as a whole. Numerical values are assigned to each factor for each job, providing a more detailed and objective measure of relative worth. Unlike non-quantitative methods like ranking, the factor comparison method allows for a more precise comparison between jobs, helping organisations establish a fair and consistent internal pay structure across diverse roles.

193. (C) 1, 3, 2
The study of leadership has evolved through several distinct phases. It began with trait theories, which focused on the inherent qualities of leaders. This was followed by behavioural theories, which shifted the focus to the specific actions and behaviours of leaders. Finally, contingency theories emerged, recognising that leadership effectiveness depends on matching the leader's style to the situational context. This chronological development reflects a moving understanding of leadership, from a fixed individual characteristic to a dynamic and situational process that can be learned and adapted.

194. (A) a, b, and c only
While a strong organisational culture provides stability and identity, it can also have negative consequences. It can act as a barrier to change by making the organisation rigid and resistant to new ideas. It can also be a barrier to diversity by pressuring individuals to conform to existing norms, potentially marginalising those from different backgrounds. Furthermore, a strong culture can complicate mergers and acquisitions if the two organisations' cultures are incompatible. Managing these potential dysfunctions is crucial for maintaining organisational agility and inclusivity in a dynamic market.

NODIA

195. (A) Both A and R are true and R is the correct explanation of A.
In Vroom's Expectancy Theory, motivation is seen as the product of three factors: expectancy, instrumentality, and valence. Because these factors are multiplicative, all three must be high for motivation to be strong. If an employee believes they can't do the job (zero expectancy), that their performance won't be rewarded (zero instrumentality), or that the rewards are worthless (zero valence), their overall motivation will be zero. This model emphasises that managers must address all three components to effectively motivate their workforce and achieve high performance.

196. (B) Performance appraisal
Performance appraisal is the systematic process of reviewing an employee's job performance and providing feedback on their strengths and areas for improvement. It serves several purposes, including determining rewards, identifying training needs, and supporting career development. A well-conducted appraisal fosters communication between managers and subordinates and aligns individual efforts with organisational goals. By regularly evaluating performance, organisations can ensure that employees are meeting expectations and provide them with the support and direction needed to grow and succeed in their professional roles.

197. (B) Parent to Child Transaction
In Transactional Analysis, a manager yelling at an employee is an example of a transaction coming from a critical Parent ego state directed at a Child ego state. The Parent state is often authoritative and judgmental, while yelling typically seeks to provoke a submissive or emotional response from the Child state. Identifying these types of transactions is important for understanding and improving communication. A more productive interaction would involve both parties speaking from their rational Adult ego states, which facilitates more effective problem-solving and mutual respect.

198. (B) People tend to be promoted to their level of incompetence.
The Peter Principle is a management concept which suggests that in a hierarchy, every employee tends to rise to his or her level of incompetence. It posits that people are promoted based on their success in their current role, but eventually, they are promoted into a position where their skills no longer match the requirements. This can lead to organisational inefficiency. Recognising this principle helps organisations design better career paths and promotion criteria that focus on the skills needed for the new role rather than just past performance.

199. (D) Clear chain of command
A mechanistic organisational structure is characterised by high formalisation, centralisation, and a clear chain of command. These structures are often found in stable environments where routine and efficiency are valued. The clear hierarchy and established rules provide a sense of stability and predictability for employees. However, mechanistic structures can also be rigid and slow to adapt to change compared to more organic structures. Understanding this structure is important for managing climate and ensuring that the organisational design is appropriate for the business's specific operational needs and goals.

200. (A) P-3, Q-4, R-1, S-2
Several foundational concepts and studies have shaped the field of organisational behaviour. Scientific management, developed by F.W. Taylor, focused on improving efficiency through standardised work. The human relations movement was sparked by the Hawthorne Studies, highlighting the importance of social factors. Douglas McGregor introduced Theory X and Theory Y to describe management's assumptions about employee motivation. Abraham Maslow proposed the hierarchy of needs to explain human drivers. Understanding these contributions provides a historical and theoretical framework for modern management practices and organisational dynamics and success.

201. (C) Members meet face-to-face on a daily basis.
Virtual teams are composed of members who are physically dispersed and rely primarily on electronic communication to work together toward a common goal. They are often formed to leverage specialised expertise from different locations or to handle project-based work. A key characteristic of virtual teams is the lack of

Click Here to Buy book on Amazon

frequent face-to-face interaction. While they offer flexibility and access to global talent, they also present unique challenges for communication, trust-building, and leadership compared to traditional teams that meet in person on a regular and daily basis.

202. (C) Expectancy Theory
Expectancy theory, proposed by Victor Vroom, suggests that motivation depends on three key beliefs: expectancy (effort leads to performance), instrumentality (performance leads to rewards), and valence (the rewards are valued). If any of these links is weak, motivation will decline. For example, if an employee doesn't believe a good appraisal will lead to rewards they care about, they will not be motivated to work hard. This theory highlights the importance of aligning individual effort, organisational performance goals, and employee rewards to create a highly motivated and engaged workforce.

203. (B) The employee, their supervisor, peers, and subordinates.
A 360-degree feedback process involves gathering performance information from a variety of sources, including the employee themselves, their direct supervisor, their peers, and their subordinates. This multi-rater approach provides a more comprehensive and balanced view of an employee's performance and behaviours than a traditional top-down appraisal. It can be particularly useful for developing leadership and interpersonal skills, as it reflects how the individual is perceived by all those they interact with. However, it requires careful implementation to ensure that feedback remains constructive and honest.

204. (A) Both Statement I and Statement II are correct.
Job enlargement and job enrichment are two different strategies for job design. Job enlargement expands a job horizontally by adding more tasks of a similar level, increasing the variety of work. Job enrichment expands the job vertically by giving the employee more responsibility and control over the planning and evaluation of their work. Both techniques aim to reduce boredom and increase motivation, but job enrichment is often considered more powerful as it addresses higher-level needs like achievement and personal growth within the organisation.

NODIA

205. (B) The tendency for women and minorities to be appointed to leadership positions during times of crisis, when the risk of failure is high.
The "glass cliff" is a phenomenon where women and minorities are more likely than men to be appointed to leadership positions in organisations that are experiencing a crisis or poor performance. This means they are often set up for failure, as the risk of the organisation's continued decline is high. This can lead to a perception that these individuals are less effective leaders, reinforcing existing biases. Recognising and addressing the glass cliff is part of broader efforts to ensure genuine equity and support for diverse leaders in challenging environments.

206. (B) Excessive and prolonged stress.
Burnout is a state of emotional, physical, and mental exhaustion caused by excessive and prolonged stress in the workplace. It often involves feelings of cynicism, detachment, and a sense of reduced personal accomplishment. Burnout can lead to decreased performance, higher absenteeism, and overall health problems. It is a significant issue for both individuals and organisations. Managing burnout requires a combination of individual coping strategies and organisational interventions to reduce stressors and create a more supportive and sustainable work environment for all employees.

207. (B) To comply with legal requirements and support HR decisions.
Job analysis is a critical HRM function that provides the necessary information for making fair and defensible HR decisions, such as those related to hiring, promotion, and compensation. By clearly defining the duties and qualifications of a job, organisations can ensure their practices are consistent and comply with legal requirements related to equal employment opportunity. Job analysis serves as the factual basis for creating job descriptions and specifications, which are essential for aligning human resource practices with the actual requirements of the work being performed.

208. (B) Training focuses on current job skills, while development focuses on future responsibilities.
Training and development are both aimed at improving employee performance, but they have different focuses. Training is typically designed

of cultural intelligence and a commitment to inclusivity. While other challenges exist, addressing these fundamental differences is key for fostering collaboration and ensuring that a diverse team can work together effectively toward the organisation's common goals and long-term success.

247. (B) Facilitate their smooth integration into the organisation.
Providing an induction program for new employees is essential for facilitating their smooth integration into the organisation's culture and work environment. It helps newcomers understand the company's history, values, policies, and expectations. A well-designed induction program reduces the uncertainty and anxiety that new hires often feel, allowing them to become productive and engaged members of the team more quickly. It is not just about fulfilling a legal requirement or testing skills; it is about building a foundation for a successful and long-term relationship between the new employee and the entire organisation.

248. (C) An individual's pay compared to others within the same organisation.
Internal equity in compensation refers to the perceived fairness of an employee's pay when compared to other jobs within the same organisation. It is based on the idea that jobs of similar value should be paid similarly. Organisations use job evaluation to establish a rational internal pay hierarchy that supports internal equity. Maintaining this perception of fairness is crucial for employee motivation and job satisfaction. If employees feel that internal pay is inequitable, it can lead to resentment, decreased performance, and higher turnover, as they may feel their contributions are not being valued fairly by the organisation.

249. (C) A sense of partnership and teamwork
The collegial model of organisational behaviour is built on the concept of partnership and teamwork. In this model, management and employees work together toward common goals, with a focus on mutual respect and shared responsibility. It encourages employees to feel a sense of ownership and to contribute their best efforts for the good of the team. This contrast with other models based on power (autocratic) or economic resources (custodial). The collegial model is particularly effective in professional and creative environments where collaboration and employee involvement are essential for innovation and overall organisational success.

250. (A) Both Statement I and Statement II are correct.
Job analysis and job evaluation are distinct but related human resource functions. Job analysis involves a systematic study of specific roles to identify their duties, responsibilities, and necessary qualifications. In contrast, job evaluation is the process of determining the relative worth of these jobs within the organisation. While analysis provides the raw data about the work, evaluation uses that data to establish a fair and logical pay structure. Both processes are essential for effective HRM, ensuring that jobs are clearly defined and that employees are compensated fairly based on their contribution to the organisation's goals.

251. (B) To replace intuitive judgments with an evidence-based approach to management.
The significance of studying organizational behavior lies in providing a systematic framework for understanding and predicting human actions within companies. It moves beyond reliance on intuitive judgments by offering an evidence-based approach to managing people. This scientific method helps managers improve performance and job satisfaction by applying theoretical knowledge to solve real workplace problems effectively and enhance overall organizational success.

252. (A) Diverse and draw from multiple disciplines.
Theoretical foundations in the field of organizational behavior are not monolithic. Instead, they represent a diverse array of theories that draw from various disciplines such as psychology, sociology, and anthropology. These diverse lenses allow for the analysis of complex workplace phenomena, ranging from individual cognitive processes to the social dynamics of power and political interactions within groups and organizations.

253. (C) Managing conflict and leading organizational change.
Organizational behavior knowledge is applied to solve practical workplace problems rather than

Downloaded from www.pdf.tube

215. (A) Both A and R are true and R is the correct explanation of A.
Properly managed workforce diversity can significantly enhance organisational performance. This is because diverse teams bring a broader range of skills, perspectives, and problem-solving approaches to the organisation. By leveraging these varied viewpoints, teams can generate more creative solutions and make better decisions. This diversity of thought is particularly valuable in complex and globalised environments. To achieve these benefits, organisations must foster an inclusive culture where all members feel valued and are encouraged to contribute their unique insights toward achieving the organisational objectives and goals.

216. (C) Work-Life Conflict
Work-life conflict is a significant source of stress for many employees. By providing on-site childcare and flexible work hours, a company is attempting to help employees better balance their professional and personal responsibilities. These initiatives reduce the stress that arises when the demands of work interfere with family or personal needs. Managing work-life conflict not only improves employee well-being but can also lead to higher levels of commitment and productivity. It is an increasingly important area of focus for modern organisations looking to attract and retain a talented workforce.

217. (B) Supply forecasting
Supply forecasting is the process of estimating the availability of human resources, taking into account internal factors like potential retirements, promotions, and turnover, as well as external factors in the labour market. It helps the organisation understand how many and what kind of people will be available in the future. By comparing this forecast with the future demand for labour, HR can identify potential gaps and develop plans for recruitment, training, or other initiatives to ensure the organisation has the necessary talent to meet its strategic goals.

218. (B) The interviewer asks open, probing questions.
In an unstructured interview, the interviewer does not follow a standardized set of questions. Instead, they ask open-ended and probing questions based on the candidate's responses. This allows for a more fluid and in-depth conversation that can reveal a candidate's personality and thought process. While unstructured interviews can provide valuable qualitative insights, they can also be less reliable and more prone to interviewer bias than structured interviews. They are often used for higher-level or creative roles where fit and thinking style are particularly important for success.

219. (C) Lacking clear criteria and not indicating the degree of difference between jobs.
The ranking method is a simple job evaluation technique where jobs are compared as a whole and ranked in order of importance. While easy to implement, it lacks clear, specific criteria and does not provide a measure of the degree of difference between jobs. For example, it doesn't show if the difference between the first and second jobs is the same as the difference between the third and fourth. This lack of precision can make it difficult to justify pay differences, particularly in larger and more complex organisations with many diverse roles.

220. (C) a, c, and d only
Group norms are the acceptable standards of behaviour that are shared by members and dictate how they should act. They can significantly influence individual behaviour, often more than formal rules. Norms can be established for various areas, including performance standards, appearance, and social arrangements. Interestingly, norms are often unwritten and informal, emerging naturally through social interaction rather than being formally communicated. Understanding these unwritten rules is essential for anyone looking to understand group dynamics and influence the behaviour of team members within a professional or organisational setting.

221. (B) Widespread acceptance of inequality and respect for authority.
Power distance is a cultural dimension identified by Hofstede that reflects how a society handles inequality. In cultures with high power distance, there is a widespread acceptance of hierarchical structures and a great deal of respect for authority. Decisions are typically made by those at the top, and subordinates are expected to follow orders without question. Understanding this dimension is crucial for international managers,

NODIA

234. (B) An unexpected response is made to the stimulus, engaging a different ego state than expected.
In Transactional Analysis, a crossed transaction occurs when the response to a stimulus is unexpected and comes from a different ego state than the one targeted. For example, if a manager speaks from their Adult state to an employee's Adult state, and the employee responds from their Child state, the transaction is crossed. These interactions typically disrupt communication and can lead to frustration or conflict. Recognising and uncrossing these transactions is essential for maintaining effective interpersonal communication and moving back toward more productive Adult-to-Adult transactions in the workplace.

235. (B) The employee sees what the organisation is really like and confronts the possibility that expectations and reality may diverge.
The encounter stage is the second phase of the socialisation process, where the new employee experiences the daily reality of their job and the organisation. During this stage, newcomers may find that their initial expectations, formed during the prearrival stage, are different from what they actually encounter. This can lead to a period of adjustment as they learn to navigate the formal and informal systems. Successful navigation of the encounter stage is crucial for integration and is followed by the metamorphosis stage, where the individual truly adapts and changes.

236. (A) More comfortable with ambiguity and risk.
Uncertainty avoidance is a cultural dimension that reflects how people handle the future. In cultures with low uncertainty avoidance, individuals are more comfortable with ambiguity, risk, and lack of structure. They are generally more open to change and new ideas. In contrast, cultures with high uncertainty avoidance prefer clear rules and stability to minimize anxiety about the unknown. Understanding these cultural differences is important for managers when implementing change or designing work systems, as it influences how employees will react to uncertainty and the level of structure they require to perform effectively.

237. (B) Knowledge of the actual results of the work activities
The Job Characteristics Model proposes that five core job dimensions lead to three critical psychological states. These states are: experienced meaningfulness of the work, experienced responsibility for the outcomes, and knowledge of the actual results of the work activities. When employees experience these states, it leads to positive outcomes like high internal work motivation and high quality work performance. Providing feedback is the key core dimension that leads to knowledge of results, allowing employees to understand how effectively they are performing and to make necessary adjustments for their personal growth.

238. (D) A is false but R is true.
Transactional and transformational leadership are not mutually exclusive styles; instead, they represent different approaches that can be used by the same leader. In fact, transformational leadership is built on top of transactional leadership. The best and most effective leaders are often those who can use both styles depending on the situation. They provide clear roles and rewards for day-to-day performance while also inspiring a larger vision and a commitment to change and growth. Combining these styles allows leaders to manage routine operations effectively while also driving organisational transformation and long-term success.

239. (A) 3, 2, 1
Human Resource Planning is a systematic process that begins with assessing the future demand for HR based on the organisation's strategic goals. Once demand is understood, the next step is to assess the future supply of HR, both from within and outside the organisation. Finally, HR must balance these two by identifying any gaps and developing plans to recruit, train, or reallocate staff as needed. This three-step process ensures that the organisation's human capital is aligned with its future needs, which is essential for achieving its long-term operational and strategic objectives.

240. (A) Provide support for personal problems impacting performance.
An Employee Assistance Program (EAP) is an organisational initiative designed to provide

Click Here to Buy book on Amazon

and fostering a sense of partnership between employees and the organisation.

228. (A) Both Statement I and Statement II are correct.
While the terms are often used interchangeably, there is a clear distinction between a group and a team. A work group is a collection of individuals who primarily interact to share information and make decisions, with no positive synergy. A team, however, consists of individuals whose coordinated efforts result in a level of performance that is greater than the sum of their individual inputs. Both statements correctly highlight these differences, emphasizing that teams are defined by their collective accountability and the positive synergy they generate through collaborative and focused work.

229. (C) Allow employees to have autonomy and participate in decision-making.
McGregor's Theory Y assumes that employees are not inherently lazy and can find work to be as natural as rest or play. It posits that people are capable of self-direction and self-control if they are committed to the objectives. A manager who believes in Theory Y will use a more participative leadership style, providing employees with autonomy and involving them in decision-making. This approach aims to tap into the employees' higher-level needs and foster a more engaged and motivated workforce, which is essential for innovation and long-term success in many organisations.

230. (B) External whistleblower
An external whistleblower is an employee who reports organisational misconduct to parties outside the company, such as the media, regulatory agencies, or legal authorities. This typically occurs when internal reporting channels are seen as ineffective or when the employee fears retaliation. While external whistle-blowing can be a powerful force for accountability, it often carries high personal and professional risks. Organisations can encourage internal reporting by establishing clear, protected, and effective channels for employees to voice their concerns about unethical or illegal practices within the organisation before they go public.

231. (D) Global Economic Level
The study of Organisational Behaviour typically involves three levels of analysis: the individual level, the group level, and the organisational system level. The individual level focuses on topics like personality and motivation. The group level looks at dynamics, leadership, and communication. The organisational system level examines structure, culture, and HRM practices. While the global economic environment certainly influences organisations, it is not one of the core internal levels of analysis in the OB model, which primarily focuses on understanding and managing the human behaviour within the organisation itself.

232. (C) Attribute one's own characteristics to other people.
Projection is a perceptual bias where individuals tend to see their own traits, motives, and characteristics in others. For example, a person who is dishonest may perceive others as being dishonest as well. This can lead to inaccurate judgments and misunderstandings in the workplace. Projection is often used as a defense mechanism to protect one's self-esteem. Recognising this bias is important for managers to ensure they are being objective in their assessments of others and are not simply seeing a reflection of their own qualities or flaws in their employees.

233. (C) a, b, c, and d only
A well-designed compensation management system provides several critical benefits for an organisation. It helps attract and retain high-quality employees by being competitive with the external market. It also motivates performance by linking rewards to outcomes and ensures both internal and external equity. Additionally, a robust system ensures compliance with legal regulations regarding pay and benefits. While it provides a basis for rewards, it does not eliminate the need for performance appraisals, which are still essential for providing feedback and supporting employee development and overall organisational goal achievement and growth.

Downloaded from www.pdf.tube

to provide employees with the specific skills and knowledge needed for their current role. Development, however, is broader and focuses on preparing employees for future responsibilities and career growth. While training often addresses immediate needs, development is more long-term and focuses on increasing an employee's overall capacity and adaptability. Both are essential for maintaining a high-performing and agile workforce that can meet evolving organisational needs.

209. (C) Distributive justice
Distributive justice refers to the perceived fairness of the outcomes or rewards received, such as pay increases or promotions. Employees evaluate this by comparing their own outcomes and inputs with those of others. If an employee feels they received an unfair raise compared to a coworker with similar performance, they are experiencing a lack of distributive justice. This perception can significantly impact their motivation and job satisfaction. Maintaining distributive justice is key for ensuring that employees feel their contributions are valued and rewarded fairly by the organisation.

210. (B) b, c, and d only
Effective team building is an ongoing process rather than a one-time event. It focuses on improving the group's internal processes, such as communication and role clarification, and must have the clear support of top management. While it aims to reduce conflict and improve problem-solving, it cannot guarantee the total elimination of all future disagreements. By being integrated with actual work, team building helps members develop the relationships and skills needed to collaborate effectively and achieve organisational goals. It is a critical component of building high-performing work teams.

211. (B) Immediate, consistent, warned, and impersonal.
The "Hot Stove Rule" is a guide for applying disciplinary action effectively and fairly. It suggests that discipline should be immediate (like touching a hot stove), consistent for everyone who commits the same offense, preceded by a warning, and impersonal (focusing on the behaviour rather than the person). Following these principles helps ensure that discipline is seen as fair and justified, reducing the risk of resentment and maintaining a professional work environment. Consistent application of these rules is key for effective management of employee conduct and performance.

212. (B) Knowledge, Skills, and Abilities
The acronym 'KSA' stands for Knowledge, Skills, and Abilities. These are the core components of a job specification and are used to evaluate candidates during the selection process. Knowledge refers to the information needed, skills are the proficiencies required to perform tasks, and abilities are the underlying capacities. By identifying the specific KSAs for each role, organisations can ensure they are hiring and developing the right people with the necessary competencies to perform their jobs effectively and contribute to the organisation's overall goals and objectives.

213. (C) Task Significance
Task significance is one of the core dimensions of the Job Characteristics Model. it refers to the degree to which a job has a substantial impact on the lives or work of other people, whether they are inside or outside the organisation. When employees feel that their work is important and makes a difference, they experience a greater sense of meaningfulness, which leads to higher motivation and job satisfaction. Designing jobs with high task significance is an effective way to increase employee engagement and commitment to the organisation's broader mission.

214. (B) It makes it difficult for the organisation to adapt to a changing environment.
While a strong organisational culture provides identity and consistency, its primary drawback is potential rigidity. When values are deeply held and widely shared, they can become a barrier to change, making the organisation slow to adapt to new market conditions or technological advancements. This resistance can hinder innovation and long-term success. A strong culture may also discourage diversity if it pressures individuals to conform too strictly to existing norms. Managing this balance between stability and agility is a key challenge for leadership in a dynamic and evolving business environment.

NODIA

confidential support and resources to employees who are facing personal problems that may be affecting their work performance or well-being. These problems can include stress, family issues, or health concerns. By providing early intervention and support, EAPs can help employees manage their challenges and remain productive. For the organisation, EAPs can lead to lower absenteeism and higher levels of employee commitment. It is a key tool for promoting employee health and maintaining a positive work-life balance.

241. (D) Financial Market Objectives
Human Resource Management has several core objectives: societal, organisational, functional, and personal. Societal objectives involve being socially responsible and meeting legal requirements. Organisational objectives focus on improving effectiveness. Functional objectives ensure that HR activities are performed efficiently. Personal objectives involve supporting the individual goals of employees. While financial market performance is an overall organisational goal, it is not considered one of the primary and direct objectives of HRM itself, which focuses on managing the human element to support these broader business goals and achieve sustainable success.

242. (C) Cognitive
An attitude is composed of three parts: cognitive, affective, and behavioural. The cognitive component is the descriptive or belief part of an attitude. It involves an evaluation, such as the thought "My supervisor is unfair." This belief sets the stage for the affective component, which is the emotional response (disliking the supervisor), and the behavioural component, which is the action taken (looking for another job). Understanding these components helps managers recognise how employees' thoughts and beliefs can ultimately lead to specific behaviours and emotional responses in the workplace.

243. (B) Conflict and confrontation among members.
In the storming stage of group development, members start to compete for roles and challenge each other's ideas. This stage is characterised by conflict and confrontation as the group establishes its internal hierarchy and defines its goals. While it can be a difficult period, it is a necessary part of the group's evolution. Successful resolution of these conflicts allows the group to move on to the norming stage, where they develop shared expectations and a sense of cohesion. Managers can support teams during storming by facilitating communication and helping to clarify group goals.

244. (C) Laissez-faire
A laissez-faire leadership style is one where the leader provides minimal input and allows the group members to make their own decisions. This approach gives the team a high degree of autonomy. While it can be very effective for highly skilled and motivated teams who are experts in their field, it can lead to a lack of direction and poor performance in groups that require more guidance. Laissez-faire is one of the three primary leadership styles identified in early behavioural studies, alongside autocratic and democratic styles, and its success depends heavily on the situation and group characteristics.

245. (A) P-3, Q-1, R-4, S-2
Several key concepts define the study and practice of organisational behaviour and HRM. Work force diversity involves acknowledging and valuing the differences among employees. Organisational culture represents the shared values and norms that guide behaviour. Interpersonal behaviour focuses on the interactions between individuals. Stress management involves developing strategies to cope with work pressures. Understanding these concepts and how they relate to each other is essential for any manager looking to build a productive, harmonious, and effective organisation that can successfully navigate the complexities of the modern global and local business environments.

246. (B) Overcoming communication barriers and differing cultural norms.
The most significant challenge in managing a multicultural workforce is overcoming the barriers to effective communication and understanding the different cultural norms and values that employees bring. Cultural differences can influence everything from leadership expectations and motivation to how conflict is handled and feedback is perceived. Successfully managing these nuances requires high levels

Click Here to Buy book on Amazon

as it influences everything from leadership styles and communication patterns to the overall organisational structure and how power is exercised and perceived within the workplace environment.

222. (C) Competing
The competing style of conflict handling is characterised by being assertive and uncooperative. The goal is to achieve one's own objectives, even at the expense of others. When a manager uses a threat to get a report finished, they are using their formal power to force compliance, which is a key feature of the competing style. While this approach can be effective for quick decisions or for implementing unpopular but necessary actions, it can also damage relationships and lead to resentment if used excessively or inappropriately in the workplace.

223. (A) Understanding and improving organisational effectiveness.
The primary focus of Organisational Behaviour is to understand how individuals, groups, and structures influence behaviour within an organisation. This knowledge is then applied to improve organisational effectiveness, which includes enhancing performance, productivity, job satisfaction, and overall health. While financial success and technological development are important, OB focuses on the human element as the key driver of these outcomes. By studying behavioural patterns, managers can develop better strategies for leading teams, managing change, and creating a positive and productive work environment for all employees to achieve common goals.

224. (B) An employee has to project one emotion while simultaneously feeling another.
Emotional dissonance occurs when there is an inconsistency between the emotions an employee feels and the emotions they are required to display by the organisation. This is a key challenge in roles involving emotional labour, such as customer service. For example, an employee may have to remain cheerful even when feeling frustrated. Prolonged emotional dissonance can lead to stress, burnout, and emotional exhaustion. Managing this dissonance requires providing support and coping mechanisms for employees to help them handle the emotional demands of their roles without compromising their well-being.

225. (A) Ensure all HR policies and practices are aligned with the organisation's overall business strategy.
Strategic HRM is about aligning human resource management practices with the overall business strategy of the organisation. This ensures that every HR activity, from recruitment and training to compensation and performance management, contributes directly to the organisation's long-term goals and competitive advantage. Instead of just reacting to problems, a strategic approach involves proactive planning to ensure the organisation has the talent and culture needed for future success. This alignment makes HR a central part of the strategic management process, helping to drive overall organisational performance and growth.

226. (C) Simulation Exercises
Simulation exercises are an off-the-job training method where trainees are placed in a realistic but controlled environment that mimics their actual work situation. This allows them to practice skills and decision-making without the risks and costs of the real environment. Examples include flight simulators for pilots or mock surgery for doctors. Simulations are highly effective because they provide immediate feedback and allow for the direct application of learning in a safe setting. They are particularly useful for high-stakes roles where errors in the real world could have serious consequences.

227. (D) Shares financial gains from improved group productivity with employees.
Gainsharing is an incentive program where employees receive financial rewards based on improvements in group or organisational productivity. It focuses on sharing the gains that result from collective effort and increased efficiency. This encourages teamwork and motivates employees to find ways to improve their work processes. Unlike profit-sharing, which is based on company-wide profits, gainsharing is typically tied to specific performance measures that employees can directly influence. This makes it a powerful tool for driving productivity

NODIA

remaining purely academic. Key applications mentioned include reducing absenteeism, managing conflict, and leading organizational change effectively. By applying these theories, managers can enhance organizational effectiveness and improve employee well-being, directly addressing the complexities of human interaction and ensuring smoother transitions during periods of necessary institutional transformation and growth.

254. (D) Individual, group, and organizational.
The study of organizational behavior examines human behavior at three distinct levels to provide a comprehensive understanding of the workplace. These levels include the individual, the group, and the organizational level. Analyzing behavior across these dimensions equips managers with necessary tools to enhance job performance, foster innovation, and manage the overall effectiveness of the entire corporate entity and its members.

255. (C) To solve practical problems and enhance organizational effectiveness.
The ultimate goal of applying organizational behavior theories is to resolve practical issues and boost overall organizational effectiveness. This involves using evidence-based knowledge to manage human interactions, reduce conflict, and improve employee well-being. By demystifying the complexities of the workplace, these theories help managers achieve better performance outcomes and foster an environment conducive to innovation, stability, and long-term success.

256. (B) It is the process of organizing and interpreting sensory input to assign meaning.
Perception serves as a critical mediator for an individual's underlying disposition. It is the specific process through which individuals organize and interpret sensory impressions to assign meaning to their immediate environment. Because perception varies among people, it explains why two individuals with similar personalities might react differently to the same situation based on their unique and subjective interpretations of events.

257. (D) Perceptions of the situation.
Although personality provides a stable underlying disposition, it is mediated by the process of perception. Individuals organize sensory impressions differently to give meaning to their environment. Therefore, even when two people share similar personality traits, their behaviors can diverge significantly because their perceptions of the exact same situation vary, leading to different psychological reactions and subsequent actions within the workplace.

258. (A) Attitude.
Attitudes are defined as evaluative statements, which can be either favorable or unfavorable, regarding objects, people, or events. They reflect how an individual feels about a particular subject. These evaluative feelings are influenced by an individual's core values and perceptions, ultimately shaping their responses and behavior within the organizational context as they interact with various stimuli, colleagues, and institutional processes.

259. (C) Values guide perceptions and subsequently influence attitudes.
Values represent basic convictions regarding what is right, good, or desirable, acting as a moral compass for the individual. These values guide how a person perceives their environment. Consequently, these perceptions influence the formation of attitudes, which are the evaluative statements or feelings an individual holds toward people, objects, or events they encounter throughout their daily activities in the organization.

260. (A) Intensity, direction, and persistence of effort.
Motivation provides the necessary impetus for an individual to take action within an organization. It is a process that accounts for three specific dimensions of effort: intensity, direction, and persistence toward achieving a goal. Understanding these components is essential for analyzing why individuals choose to work toward certain objectives and how long they sustain that effort over time until success occurs.

261. (D) To consciously improve the overall effectiveness of a workgroup.
Team building is a conscious and structured process aimed at improving the overall effectiveness of a workgroup. Beyond simply fostering camaraderie, its objectives include enhancing task coordination, clarifying roles,

Downloaded from www.pdf.tube

and improving problem-solving abilities. By establishing shared goals, team-building interventions transform a collection of individuals into a cohesive unit capable of achieving higher levels of productivity, performance, and long-term organizational success.

262. (B) Complex forces and interactions that operate within a group.
Group dynamics refers to the complex forces, interactions, and processes that operate within a group of people. These dynamics are essential to study because they influence the group's structure, development, and overall performance. These internal forces can be either constructive, leading to synergy, or destructive, resulting in process losses and conflict among the group's members as they work together.

263. (C) Influence the group towards the achievement of its objectives.
Leadership in a group context is defined as the process of influencing members to achieve their collective objectives. Effective leaders navigate group dynamics by diagnosing stages of development and managing interpersonal conflicts. By facilitating communication and motivating members, a leader successfully transforms a group of individuals into a high-performing team focused on reaching specific organizational goals and achieving desired performance outcomes.

264. (D) Both constructive outcomes like synergy and destructive ones like conflict.
The forces and interactions within a group can produce varying results depending on the nature of group dynamics. These outcomes can be constructive, such as creating synergy and heightened productivity among members. Alternatively, they can be destructive, leading to interpersonal conflict and process losses. Recognizing these potential outcomes allows organizations to implement team-building strategies to steer groups toward more positive results.

265. (A) Team building being a response to group dynamics, often guided by leadership.
Group behavior results from the interplay of inherent dynamics, deliberate interventions, and leadership quality. Organizations use team building as a conscious response to manage and improve group dynamics. Leadership is central to this process, as effective leaders guide team-building efforts and navigate internal forces to ensure the group remains cohesive and successfully achieves its intended organizational objectives and collective performance goals.

NODIA

266. (B) Understanding interactions based on Parent, Adult, and Child ego states.
Transactional Analysis is a popular framework used to explain how individuals communicate and relate to one another. It focuses on three distinct ego states: Parent, Adult, and Child. By analyzing these states, the model helps identify how specific attitudes, rational thinking, or impulsive feelings drive interpersonal transactions, providing insights into communication patterns and fostering more effective relationships in the workplace.

267. (B) The Adult ego state.
Within the Transactional Analysis framework, the Adult ego state represents a rational, objective, and problem-solving approach to interactions. Unlike the Parent state, which draws from learned behaviors of authority figures, or the Child state, which focuses on impulses and childhood feelings, the Adult state focuses on current reality. It enables individuals to process information logically and communicate reasonably with others.

268. (A) Crossed transactions.
Communication breakdowns and interpersonal conflicts often arise from crossed transactions. These occur when an individual receives a response from an unexpected ego state rather than the one they were addressing. Because the interaction does not follow a predictable path, it creates friction. Analyzing these crossed transactions helps individuals understand why communication failed and how to shift toward more effective and complementary exchanges.

269. (C) To help individuals gain insight and improve their communication patterns.
The primary benefit of applying Transactional Analysis in a professional setting is that it allows individuals to gain deep insight into their own communication styles. By understanding how they transition between different ego states,

employees can learn to interact more effectively with others. This self-awareness fosters healthier, more productive interpersonal behavior and reduces the frequency of communication-based workplace conflicts significantly.

270. (D) The interactions between individuals that form workplace relationships.
Interpersonal behavior encompasses the various interactions that occur between individuals within an organization. It forms the essential fabric of workplace relationships and is fundamental to core activities such as collaboration, communication, and conflict resolution. The quality of these dyadic interactions significantly impacts broader organizational factors, including employee morale, team cohesion, and the overall productivity of the working environment.

271. (C) Deep-seated shared values, beliefs, and assumptions within an organization.
Organizational culture is described as a deep and enduring construct, often compared to the personality of the organization. It consists of shared values, underlying beliefs, basic assumptions, and norms that evolve over time. These elements are taught to new members as the correct way to perceive and think, providing a sense of identity and acting as a social control.

272. (B) Climate refers to shared perceptions of policies and practices, while culture refers to underlying values.
The distinction between these two concepts lies in their depth and focus. Culture involves deep-seated shared values and basic assumptions that provide an organization with its identity. In contrast, climate refers to surface-level manifestations, specifically the shared perceptions and feelings employees have regarding the organization's current policies, procedures, and practices. Climate is more temporary and tangible than the underlying organizational culture.

273. (D) personality; mood.
The passage uses a psychological analogy to differentiate organizational culture and climate. Culture is likened to the organization's personality because it is a deep-seated, enduring, and relatively stable construct. Organizational climate is compared to a mood because it represents a more temporary, surface-level feeling or perception that employees experience in their immediate work environment based on current workplace practices.

274. (A) Culture is a deeper force that often shapes the more surface-level climate.
Culture and climate operate at different levels of depth within an organization. Culture is the deeper, more resilient force that establishes long-term values and beliefs. This deep-rooted culture often shapes the organizational climate, which is the surface-level perception of daily practices. However, a positive climate in one specific department does not always guarantee a strong overarching organizational culture exists.

275. (C) Climate is a surface-level manifestation that employees perceive in their immediate environment.
Organizational climate represents the tangible, surface-level reality of the workplace. It reflects the shared perceptions and feelings of employees regarding current procedures and practices. Because it is a manifestation that individuals can directly see and feel in their immediate work environment, it is considered more temporary and manageable compared to the deep, implicit, and highly resilient nature of organizational culture.

276. (A) The heterogeneity of employees based on attributes like age, gender, and ethnicity.
Workforce diversity refers to the heterogeneity found among employees within an organization. This variety includes a wide range of individual attributes such as age, gender, race, ethnicity, sexual orientation, and physical ability. Effectively managing this diverse mix of people has become a strategic imperative for modern organizations to leverage different perspectives and comply with legal and social responsibilities in the workplace.

277. (D) Enhanced creativity and broader problem-solving perspectives.
A diverse workforce provides significant organizational benefits that go beyond simple legal compliance. By bringing together individuals with different backgrounds and experiences, organizations can achieve enhanced creativity. This variety of viewpoints leads to broader

Click Here to Buy book on Amazon

41. Which of the following is NOT a direct benefit of implementing Green HRM?
(A) Enhanced corporate image and employer branding.
(B) Cost savings through reduced resource consumption.
(C) Guaranteed increase in quarterly profits.
(D) Increased employee engagement and morale.

42. Which of the following pairs is incorrectly matched?
(A) Balanced Scorecard - Focus only on financial metrics
(B) Strategic HRM - Aligning with business goals
(C) Competency Mapping - Identifying skills and knowledge
(D) Talent Management - Attracting and retaining key employees

43. A 'career plateau' is a situation where an employee:
(A) Is rapidly promoted through several levels in the organization.
(B) Is preparing for retirement.
(C) Is undergoing intensive training for a new role.
(D) Reaches a position from which further advancement is unlikely or slow.

44. Which of the following is a method of performance appraisal?
(A) Job Rotation
(B) Behaviorally Anchored Rating Scales (BARS)
(C) Mentoring
(D) Quality Circles

45. Arrange the following steps of the Action Research Model in Organization Development in chronological order:
(i) Data gathering and preliminary diagnosis
(ii) Feedback to a key client or group
(iii) Joint action planning
(iv) Data gathering after action
Select the correct sequence from the options below:
(A) (i), (ii), (iii), (iv)
(B) (ii), (i), (iv), (iii)
(C) (i), (iii), (ii), (iv)
(D) (iv), (iii), (ii), (i)

NODIA

46. The '9-box grid' is a popular tool used in which of the following HR processes?
(A) Payroll Management
(B) Grievance Handling
(C) Collective Bargaining
(D) Succession Planning and Talent Review

47. Telecommuting and flextime are HR policies primarily designed to improve:
(A) Work-life balance.
(B) Employee performance appraisal accuracy.
(C) The effectiveness of trade unions.
(D) The efficiency of the recruitment process.

48. Match the labour welfare provisions in List I with their examples in List II:
List I: (Welfare Type)
P. Statutory Welfare
Q. Voluntary Welfare
R. Mutual Welfare
S. Social Security
List II: (Example)
1. Medical facilities provided by the employer beyond legal requirements
2. Provident Fund and Gratuity
3. Canteen and Crèche facilities mandated by legislation
4. Welfare activities jointly undertaken by workers
Codes:
(A) P-1, Q-2, R-3, S-4
(B) P-3, Q-1, R-4, S-2
(C) P-2, Q-4, R-1, S-3
(D) P-3, Q-2, R-4, S-1

49. 'Integrative bargaining' is also known as:
(A) Win-lose bargaining
(B) Interest-based bargaining
(C) Zero-sum bargaining
(D) Concessionary bargaining

50. The EPRG framework in international business stands for:
(A) Ethnocentric, Polycentric, Regiocentric, Geocentric
(B) Economic, Political, Regional, Global
(C) European, Pacific, Russian, German
(D) Export, Production, Resource, Growth

For instance, positive enthusiasm can serve to fuel motivation, while negative emotions like anxiety about a looming deadline can help an employee focus their attention. Recognizing the potential utility of various emotional states is key to management.

286. (D) Procedural justice.
Procedural justice relates specifically to the perceived fairness of the processes and methods used to determine organizational outcomes. When an employee believes a selection process for a promotion was biased or inconsistently applied, they are questioning the procedural integrity. Employees are more likely to accept unfavorable outcomes if they believe the procedures used to reach those outcomes were transparent and fair.

287. (C) Distributive justice.
Distributive justice is a facet of organizational justice that focuses on the perceived fairness of the final outcomes received by employees. This includes tangible and intangible rewards such as pay, promotions, or work assignments. It is concerned with whether the allocation of these resources is seen as fair relative to the contributions made by the individuals within the organizational context.

288. (B) The act of an employee exposing illegal or unethical organizational activities.
Whistle-blowing is defined as the act of an employee exposing information or activities within an organization that are deemed illegal, unethical, or incorrect. This action is often taken as a last resort when the individual feels that a grave injustice cannot be corrected through normal internal channels. It represents a significant response to a perceived failure in organizational justice and ethics.

289. (D) The dignity and respect shown during interpersonal treatment.
Interactional justice is the dimension of organizational justice that deals with the perceived fairness of the interpersonal treatment employees receive. It emphasizes the importance of dignity, respect, and politeness when procedures are implemented and outcomes are communicated. Even if a process is fair, a lack of respect during its execution can lead to a significant sense of injustice and dissatisfaction.

NODIA

290. (A) The employee perceives that internal channels for addressing wrongdoing have failed.
Employees typically engage in whistle-blowing when they perceive that internal channels for addressing illegal or unethical behavior are either unresponsive or complicit in the wrongdoing. It is often seen as a final option used to rectify a grave injustice that the organization's existing systems have failed to address, reflecting a deep sense of mistrust in institutional fairness and oversight.

291. (C) A purely administrative function to a strategic partner.
The concept of Human Resource Management has undergone a significant transformation over time. It has evolved from being viewed as a purely administrative or clerical function into serving as a strategic partner essential for achieving organizational goals. This shift reflects a broader understanding that managing people effectively is a critical lever for gaining strategic advantage and ensuring overall organizational success.

292. (A) Human Resource Planning (HRP).
Human Resource Planning is defined as the continuous and systematic process of planning ahead to ensure the optimum use of an organization's most valuable asset—its people. As a cornerstone of strategic HRM, HRP involves analyzing current resources and forecasting future needs to ensure the organization has the right number of people with the necessary skills to meet strategic objectives.

293. (D) Attracting a pool of qualified candidates.
Recruitment is a core staffing function within Human Resource Management. It is specifically defined as the process of attracting a pool of qualified candidates to apply for positions within the organization. This step follows human resource planning and precedes selection, with the goal of generating a diverse and capable set of applicants from which the best individuals can be chosen.

294. (B) Economic conditions.
The practice of Human Resource Management is influenced by a combination of internal and external factors. External factors are those outside the organization's direct control that shape its HR strategies. Examples of such influences mentioned include government

correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

8. Which of the following is NOT a form of industrial dispute?
(A) Employee promotion
(B) Strike
(C) Lock-out
(D) Lay-off

9. What is the primary purpose of collective bargaining?
(A) To allow management to unilaterally impose terms of employment.
(B) To provide a formal process for individual employees to file complaints.
(C) To negotiate the terms and conditions of employment between management and a union.
(D) To train managers on how to handle employee discipline.

10. Which approach in International Human Resource Management (IHRM) involves filling key management positions in foreign subsidiaries with parent-country nationals?
(A) Ethnocentric approach
(B) Polycentric approach
(C) Geocentric approach
(D) Regiocentric approach

11. Which of the following best describes the core concept of 'Green HRM'?
(A) A policy primarily focused on increasing green spaces and decorative gardens at the corporate workplace.
(B) An HR initiative that allows employees to work from home to reduce the corporate carbon footprint.
(C) The exclusive and mandatory use of digital, paperless processes across all administrative HR functions.
(D) The use of HR policies and practices to promote sustainable use of resources and environmental consciousness within an organization.

12. A company's HR department is redesigning its policies to ensure they support the overall business objective of becoming a market leader in innovation. This activity is a clear example of:
(A) Routine administrative work
(B) Strategic Human Resource Management
(C) Personnel management
(D) Employee welfare management

13. Which of the following represents the 'Learning and Growth' perspective of a Balanced Scorecard in an HR context?
(A) Percentage increase in market share.
(B) Reduction in customer complaint resolution time.
(C) Employee training hours and competency development.
(D) Return on Investment (ROI) of a new product line.

14. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Competency mapping helps organizations identify the knowledge, skills, and attributes required for successful job performance.
Reason (R): It provides a clear benchmark against which employee capabilities can be assessed, guiding training and development efforts.
Select the correct answer from the options below:
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

15. Arrange the following stages of career development in a typical chronological order:
(i) Exploration
(ii) Establishment
(iii) Maintenance
(iv) Decline
Select the correct sequence from the options below:
(A) (i), (ii), (iii), (iv)
(B) (ii), (i), (iv), (iii)
(C) (i), (iii), (ii), (iv)

Downloaded from www.pdf.tube

CHAPTER 03

Strategic Human Resource Management

1. Which of the following best defines the Strategic Role of Human Resource Management?
(A) Primarily focusing on administrative tasks like payroll and record-keeping.
(B) Aligning human resource policies and practices with the organization's strategic goals and objectives.
(C) Managing employee recruitment and selection processes in isolation from business strategy.
(D) Enforcing disciplinary actions and handling employee grievances as a reactive function.

2. The Balanced Scorecard, as a strategic management tool, typically measures performance across four perspectives. What are these four perspectives?
(A) Financial, Customer, Internal Business Processes, and Learning and Growth.
(B) Financial, Customer, Employee Satisfaction, and Market Share.
(C) Operational Efficiency, Profitability, Innovation, and Shareholder Value.
(D) Employee Turnover, Productivity, Sales Growth, and Quality Control.

3. Consider the following statements regarding career planning:
Statement I: Career planning is solely the responsibility of the organization, with the employee playing a passive role.
Statement II: Career development involves a series of activities undertaken by both the individual and the organization to meet career aspirations.
Which of the above statements is/are correct?
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

4. A manager, while evaluating his team, gives a high rating to an employee on all performance parameters just because the employee is very punctual and has a good attitude. This is an example of which type of performance appraisal error?
(A) Recency Error
(B) Central Tendency
(C) Leniency Error
(D) Halo Effect

5. Which of the following is an example of a structural intervention in Organization Development?
(A) Sensitivity Training
(B) Team Building
(C) Job Redesign
(D) Survey Feedback

6. Identify the correct statement regarding talent management.
(A) Talent management is a short-term process focused only on filling current vacancies.
(B) It involves the systematic attraction, identification, development, engagement, and retention of high-potential employees.
(C) It is synonymous with recruitment and does not include employee development.
(D) Talent management is exclusively the responsibility of the HR department with no involvement from line managers.

7. Consider the following statements about employee engagement:
Statement I: An engaged employee is one who is fully absorbed by and enthusiastic about their work.
Statement II: High employee engagement often correlates with higher productivity and lower employee turnover.
Which of the above statements is/are correct?
(A) Both Statement I and Statement II are

NODIA

problem-solving perspectives and improved decision-making processes. When managed well, diversity becomes a strategic asset that allows the organization to leverage the full potential of its employees.

278. (B) The influence of national and regional cultural differences on workplace behaviour.
Cross-cultural organizational behavior focuses on examining how national and regional cultural differences influence human behavior within organizations. This field is vital in a globalized business environment because it recognizes that behaviors and management styles are not universal. It helps organizations understand that what works in one culture might be ineffective or even offensive in another, necessitating a nuanced approach.

279. (C) A practice or leadership style effective in one culture may be ineffective in another.
The main challenge in cross-cultural management is the lack of a universal standard for effective behavior. Cultural norms and values vary significantly across different regions. Consequently, a motivating practice or leadership style that succeeds in one country may prove ineffective or even offensive in another. This complexity requires managers to adapt their specific approaches to align with the cultural context.

280. (D) Develop cross-cultural literacy to adapt to different cultural norms.
Multinational organizations should move away from a one-size-fits-all approach to management. Instead, the most effective strategy is to develop cross-cultural literacy among managers and employees. This involves training individuals to recognize, understand, and adapt to varying cultural norms, values, and communication styles. Such adaptation is necessary to foster effective collaboration and successfully leverage the potential of a global workforce.

281. (A) An inevitable component that influences employee attitudes and behaviours.
In the modern workplace, emotions are recognized as an inevitable and influential component of organizational life. Defined as intense feelings directed at people or things, they significantly impact key areas such as decision-making, creativity, and interpersonal relationships. Rather than being purely disruptive, emotions—both positive and negative—are seen as having functional consequences that shape an individual's overall attitude and behavior.

282. (B) Psychological and physiological response when demands exceed an individual's capacity.
Stress is defined as a psychological and physiological response that occurs when environmental demands exceed an individual's adaptive capacity. This happens when the pressures of the workplace become chronic or overwhelming. Understanding this definition is crucial for organizations, as it highlights that stress arises from an imbalance between situational requirements and the personal resources available to handle those specific demands.

283. (B) Job redesign and wellness programs.
Stress management strategies can be categorized as either individual-focused or organization-focused. Organization-focused strategies involve structural or institutional changes designed to mitigate stressors. Examples mentioned include job redesign, the implementation of wellness programs, and the fostering of a supportive organizational culture. These initiatives aim to address the environmental sources of stress rather than teaching employees individual coping mechanisms.

284. (A) To manage stress to prevent its dysfunctional consequences.
The primary goal of effective stress management is not to eliminate stress entirely, as that is considered impossible in a dynamic work environment. Instead, the focus is on managing stress levels to prevent dysfunctional consequences that can harm employee well-being and organizational productivity. By identifying stressors and implementing mitigation strategies, organizations aim to keep stress within a manageable, functional range.

285. (C) Both positive and negative emotions can have functional consequences.
While emotions were traditionally viewed as disruptive to rational business processes, contemporary perspectives suggest that both positive and negative emotions can be functional.

Click Here to Buy book on Amazon

(D) (iv), (iii), (ii), (i)

16. What is the primary difference between Performance Management and Performance Appraisal?
(A) Performance appraisal is a continuous, ongoing process, while performance management is strictly an annual event.
(B) Performance management is a strategic and integrated process, while performance appraisal is often a single, formal review.
(C) Performance management focuses only on evaluating past performance, while performance appraisal focuses on future potential.
(D) There is no significant difference between the two; the terms are fundamentally synonymous and interchangeable.

17. Which of the following is considered a 'techno-structural' intervention in Organization Development?
(A) Survey feedback
(B) Total Quality Management (TQM)
(C) Sensitivity training
(D) Process consultation

18. A key component of a robust talent management strategy is 'succession planning'. What does this process primarily involve?
(A) Identifying and developing internal talent to fill key leadership positions in the future.
(B) Hiring external candidates for all senior-level positions.
(C) Planning the retirement benefits for all employees.
(D) Managing the succession of company ownership from one generation to the next.

19. Which of the following is a potential consequence of poor work-life balance?
(A) Increased employee engagement
(B) Higher job satisfaction
(C) Employee burnout
(D) Lower absenteeism

20. A 'grievance' in the context of industrial relations is best defined as:
(A) A collective dispute concerning broad wage negotiations involving the entire workforce.
(B) A formal complaint filed by a recognized trade union against senior management.
(C) A specific disagreement regarding the legal interpretation of a national labor statute.
(D) Any feeling of discontent or injustice, whether expressed or not, related to one's employment.

NODIA

21. Match the types of collective bargaining in List I with their characteristics in List II:
List I: (Type of Bargaining)
P. Distributive Bargaining
Q. Integrative Bargaining
R. Productivity Bargaining
S. Concessionary Bargaining
List II: (Characteristic)
1. Win-win negotiation, focus on mutual gains
2. Union agrees to give up benefits for job security
3. Negotiation over distribution of a fixed sum, win-lose
4. Linking wage increases to improvements in productivity
Codes:
(A) P-3, Q-1, R-4, S-2
(B) P-1, Q-3, R-2, S-4
(C) P-3, Q-4, R-1, S-2
(D) P-2, Q-1, R-4, S-3

22. A U.S.-based company appoints a German citizen to manage its subsidiary in Japan. This is an example of which type of international staffing approach?
(A) Ethnocentric
(B) Geocentric
(C) Polycentric
(D) Regiocentric

23. Which of the following represents a 'Green' performance management practice?
(A) Appraising employees based solely on their financial targets.
(B) Conducting performance appraisals only once every two years.
(C) Using paper-based forms for all appraisal documentation.
(D) Setting and rewarding employees for achieving environmental goals.

24. Consider the following statements related to the Balanced Scorecard:
(i) It relies solely on financial metrics to gauge

performance.
(ii) It helps translate strategy into a set of operational performance measures.
(iii) The 'Customer' perspective focuses on how the company appears to its shareholders.
(iv) The 'Internal Business Process' perspective identifies the critical processes at which the organization must excel.
Which of the above statement(s) is/are correct?
(A) (i) and (iii) only
(B) (ii) and (iv) only
(C) (i), (ii), and (iii) only
(D) (ii), (iii), and (iv) only

25. A manager avoids giving very high or very low ratings to any employee and rates almost everyone as average. This appraisal error is known as:
(A) Horn Effect
(B) Spillover Effect
(C) Central Tendency Error
(D) Personal Bias

26. A standard model of organizational change consists of three stages. What are they?
(A) Unfreezing, Changing, Refreezing
(B) Planning, Implementing, Evaluating
(C) Diagnosing, Intervening, Reinforcing
(D) Recognizing, Mobilizing, Sustaining

27. Consider the following statements regarding employee development:
Statement I: Talent Management is a reactive process that begins only when a vacancy arises.
Statement II: Skill development focuses on imparting specific abilities required to perform a given job, whereas development is broader and focuses on future roles.
Which of the above statements is/are correct?
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

28. Which of the following is NOT typically considered a driver of employee engagement?
(A) Opportunities for growth and development
(B) A highly rigid and bureaucratic organizational structure
(C) Trust in leadership
(D) A sense of meaning and purpose in one's work

29. The term 'social security' in the context of labour welfare primarily aims to:
(A) Provide recreational facilities to workers.
(B) Ensure a clean and safe working environment.
(C) Give protection to workers against contingencies like sickness, unemployment, and old age.
(D) Regulate the working hours and overtime pay of employees.

30. In the context of international business, what is the main challenge associated with an ethnocentric staffing policy?
(A) It can be very expensive to implement due to high relocation and housing costs.
(B) It can be difficult to find qualified parent-country nationals with international experience.
(C) It often results in inconsistent policies across various subsidiaries in different regions.
(D) It may lead to a lack of understanding of the local culture and business environment.

31. Implementing a paperless onboarding process for new hires is an example of which HR practice?
(A) Green HRM
(B) Strategic HRM
(C) International HRM
(D) Performance Management

32. The concept of 'competency' in HR is best understood as:
(A) An employee's specific academic qualification or the degree obtained from a recognized institution.
(B) An underlying characteristic of a person which results in effective or superior performance in a job.
(C) The total number of years an employee has worked in a company or within a specific industry.
(D) The current salary grade or pay scale assigned to an employee based on their job

Downloaded from www.pdf.tube

level.

33. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Career planning is an essential activity for retaining talented employees.
Reason (R): When employees see a clear path for growth and development within the organization, they are more likely to stay committed and motivated.
Select the correct answer from the options below:
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

34. The 360-degree appraisal method involves collecting performance feedback from:
(A) The employee, their peers, supervisors, subordinates, and sometimes customers.
(B) The employee's immediate supervisor only.
(C) A committee of senior executives.
(D) The employee's self-assessment report exclusively.

35. Which of the following statements about Organizational Development (OD) is incorrect?
(A) OD is a planned, organization-wide effort managed from the top.
(B) OD aims to increase organization effectiveness and health.
(C) OD interventions are always short-term and focused on solving immediate crises.
(D) OD utilizes behavioral science knowledge.

36. Consider the following activities related to Human Resource Management:
(i) Aligning HR strategy with corporate strategy.
(ii) Using a Balanced Scorecard for performance measurement.
(iii) Conducting competency mapping for key roles.
(iv) Focusing HR's role as a strategic partner.
(v) Prioritizing administrative tasks over strategic goals.
Which of the above are indicative of a Strategic HRM approach?
(A) (i), (ii), and (iii) only
(B) (i), (ii), (iii), and (iv) only
(C) (iii), (iv), and (v) only
(D) All of the above

37. A key objective of a work-life balance program is to:
(A) Maximize the number of hours an employee works per week.
(B) Minimize the interaction between an employee's work life and personal life.
(C) Help employees manage the demands of their professional and personal lives effectively.
(D) Ensure all employees work the same fixed hours.

NODIA

38. The process of settling an industrial dispute by the intervention of a third party, whose decision is legally binding on the disputing parties, is known as:
(A) Conciliation
(B) Adjudication
(C) Mediation
(D) Collective Bargaining

39. The 'check-off' system in trade unionism refers to:
(A) A system of electing union leaders through a secret ballot process among all members.
(B) The process of auditing the union's financial accounts by an independent third-party agency.
(C) The formal procedure for calling a strike after a failed round of collective bargaining.
(D) An agreement where the employer deducts union dues from members' wages and pays them to the union.

40. What is a 'third-country national' (TCN) in the context of International Human Resource Management?
(A) An employee who is not a citizen of either the parent or the host country.
(B) An employee who is a citizen of the parent company's country.
(C) An employee who is a citizen of the host country where the subsidiary is located.
(D) An employee who holds dual citizenship.

regulations, technological advancements, and economic conditions. These external forces require HR departments to adapt their planning and management practices to stay effective.

295. (C) Recruitment and selection.
Within the logical sequence of human resource functions, Human Resource Planning acts as the foundation that precedes other core staffing activities. Specifically, systematic planning for human resource needs must occur before the organization begins recruitment, which attracts candidates, and selection, which involves choosing the best individual from the pool. This ensures staffing efforts are aligned with organizational goals.

296. (D) To systematically collect detailed information about a job's tasks and responsibilities.
Job analysis is a fundamental process that involves the systematic collection of detailed information about a specific job. This includes identifying primary tasks, responsibilities, required skills, and the work environment. It serves as the bedrock for almost all other HR functions, providing the necessary data to evaluate jobs, manage compensation, and design effective recruitment and training programs.

297. (A) Determine the relative worth of different jobs within the organization.
The primary goal of job evaluation is to systematically determine the relative worth or value of different jobs within an organization. Unlike performance appraisal, which assesses the individual person, job evaluation focuses solely on the job itself. By comparing various roles, the organization can establish a logical hierarchy that reflects each position's importance and contribution to the overall goals.

298. (B) Compensation Management.
Information derived from the job evaluation process serves as a vital input for compensation management. Once the relative worth of different jobs has been established, this data is used to design and administer a comprehensive pay system. This ensures that the compensation structure is logically tied to the value of each job, facilitating the creation of an equitable reward system.

299. (B) Job Evaluation.
Establishing internal equity is described as the primary outcome of the job evaluation process. Internal equity refers to the fairness of pay relationships between different jobs within a single organization. By systematically assessing the value of each job rather than individual performance, job evaluation ensures that roles with similar levels of responsibility receive comparable compensation, fostering a sense of fairness.

300. (A) To ensure compensation is logically tied to the value of each job, fostering fairness.
The overarching aim of integrating job analysis, job evaluation, and compensation management is to create a pay structure that is logically tied to the value of each role. This systematic approach ensures that compensation decisions are based on the actual requirements and contributions of the job. Consequently, it fosters internal equity and fairness, which helps in motivating talented employees.

www.nodia.in

Click Here to Buy book on Amazon

51. What is a significant challenge when implementing Green HRM initiatives?
(A) Lack of available technology
(B) Opposition from environmental groups
(C) High initial implementation costs and resistance to change
(D) Scarcity of employees interested in green jobs

52. From a strategic perspective, the HR function should be viewed as:
(A) A cost center focused on administrative efficiency.
(B) A regulatory body ensuring legal compliance.
(C) An employee advocacy group separate from business concerns.
(D) A partner in strategy formulation and implementation.

53. Consider the following statements about competencies:
(i) Core competencies are unique to an organization and provide a competitive advantage.
(ii) Functional competencies are specific to a particular role or job family.
(iii) Behavioural competencies describe the attitudes and behaviours required for performance.
(iv) Competencies are static and do not change over time.
Which of the above statement(s) is/are correct?
(A) (i) and (iv) only
(B) (ii) and (iii) only
(C) (i), (ii), and (iii) only
(D) All of the above

54. A mid-career professional feels that his career is stagnating. The organization offers him a series of short-term assignments in different departments to broaden his skills and perspective. This development technique is known as:
(A) Job enrichment
(B) Job rotation
(C) Mentoring
(D) Coaching

55. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): The 360-degree feedback system can be a powerful tool for employee development.
Reason (R): It provides multi-source feedback, which gives a more holistic view of an employee's performance and behavior compared to a single-source appraisal.
Select the correct answer from the options below:
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

56. 'Sensitivity Training' or 'T-groups' are an Organization Development intervention aimed at improving:
(A) Interpersonal skills and self-awareness
(B) Technical skills
(C) Production efficiency
(D) Financial management abilities

57. The process of identifying, attracting, developing, and retaining individuals with the potential to be valuable to an organization is called:
(A) Recruitment
(B) Human Resource Planning
(C) Talent Management
(D) Performance Appraisal

58. Consider the following statements regarding work-life and engagement:
Statement I: Work-life balance is a static, one-time achievement.
Statement II: Employee engagement is primarily driven by monetary compensation.
Which of the above statements is/are correct?
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

Downloaded from www.pdf.tube

(C) The formal job title and hierarchical position held by an individual within the organization.
(D) The physical location of the workplace and the commuting distance from an employee's residence.

77. Which of the following appraisal methods is future-oriented?
(A) Graphic Rating Scale
(B) Checklist Method
(C) Management by Objectives (MBO)
(D) Critical Incident Method

78. The 'Action Research' model is a key process in Organization Development. What is its core characteristic?
(A) A one-time intervention led by external consultants to solve a specific technical problem.
(B) A focus on purely theoretical research without any immediate practical application in the organization.
(C) A top-down command-and-control approach to change initiated solely by the senior leadership.
(D) A cyclical process of diagnosing a problem, collecting data, taking action, and evaluating results.

79. Arrange the following steps in a typical talent management process in chronological order:
(i) Develop and train
(ii) Attract and recruit
(iii) Retain and engage
(iv) Assess and select
Select the correct sequence from the options below:
(A) (i), (ii), (iv), (iii)
(B) (ii), (iv), (i), (iii)
(C) (iv), (ii), (i), (iii)
(D) (ii), (i), (iii), (iv)

80. Consider the following statements about employee engagement and happiness:
Statement I: Employee engagement is the same as employee happiness or satisfaction.
Statement II: An employee can be satisfied with their job (e.g., easy work, good pay) but not necessarily engaged in it.
Which of the above statements is/are correct?
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

81. What is a 'strike' in the context of industrial relations?
(A) A temporary closing of a place of employment by the employer to gain leverage.
(B) A cessation of work by a body of persons employed in any industry acting in combination.
(C) A jurisdictional dispute occurring between two rival trade unions over representation rights.
(D) The termination of an employee's service by the management due to disciplinary infractions.

82. In collective bargaining, 'Boulwarism' refers to a strategy where:
(A) Management makes a "first, last, and final" offer and refuses to negotiate further.
(B) Both parties make continuous concessions until a middle ground is found.
(C) A third-party mediator facilitates the negotiation.
(D) The union tries to bypass local management and negotiate with top executives.

83. 'Culture shock' is a phenomenon often experienced by:
(A) New employees during their orientation.
(B) Employees who are promoted to a management position.
(C) Expatriates working in a foreign country.
(D) Employees working from home.

84. The 'AMO' framework is central to Green HRM. What does 'AMO' stand for?
(A) Attitude, Management, Outcome
(B) Assessment, Measurement, Objective
(C) Action, Monitoring, Obligation
(D) Ability, Motivation, Opportunity

NODIA

(A) A state of enthusiasm and high energy at work.
(B) A temporary feeling of tiredness after a long workday.
(C) A state of physical, emotional, and mental exhaustion caused by prolonged stress.
(D) A conflict between an employee's work and family life.

70. The primary purpose of a 'Works Committee' in industrial relations is to:
(A) To negotiate comprehensive wage settlements and benefit packages for the entire workforce.
(B) Promote measures for securing and preserving amity and good relations between the employer and workmen.
(C) To adjudicate on complex legal disputes that arise from the breach of employment contracts.
(D) To organize and coordinate industrial actions such as strikes and protests against the management.

71. Match the trade union types in List I with their membership bases in List II:
List I: (Union Type)
P. Craft Union
Q. Industrial Union
R. General Union
S. White-Collar Union
List II: (Membership Base)
1. Workers in a specific industry, regardless of skill
2. Workers from various industries and crafts
3. Workers with a particular skill or craft
4. Non-manual workers like clerks, teachers, etc.
Codes:
(A) P-1, Q-3, R-2, S-4
(B) P-3, Q-1, R-2, S-4
(C) P-3, Q-2, R-4, S-1
(D) P-4, Q-1, R-3, S-2

72. The polycentric approach to international staffing is characterized by:
(A) Recruiting host-country nationals to manage subsidiaries in their own country.
(B) Recruiting parent-country nationals for key positions everywhere.
(C) Recruiting the best people for key jobs throughout the organization, regardless of nationality.
(D) Recruiting people from a specific region to work across that entire region.

73. The practice of using e-recruitment platforms and video interviews to reduce travel and paper usage is a part of:
(A) Traditional Recruitment
(B) Internal Recruitment
(C) Green Recruitment
(D) International Recruitment

74. 'Human Resource as a Strategic Partner' implies that the HR function:
(A) Participates in the development and execution of the overall business strategy.
(B) Focuses solely on maintaining employee records and compliance.
(C) Acts as a barrier between management and employees.
(D) Is outsourced to an external agency to reduce costs.

75. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): The Balanced Scorecard provides a more comprehensive view of organizational performance than traditional financial metrics alone.
Reason (R): It incorporates customer, internal process, and learning & growth perspectives alongside financial indicators, linking them to strategy.
Select the correct answer from the options below:
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

76. Which of the following is considered a 'career anchor'?
(A) The specific salary and benefits package offered to an employee upon joining the firm.
(B) A fundamental driver of a person's career choices, such as autonomy or security.

Click Here to Buy book on Amazon

(A) Green HRM
(B) Strategic HRM
(C) International HRM
(D) Labour Welfare

128. An HR manager is analyzing turnover data to predict future staffing needs and identify the root causes of employee departures. This is an application of:
(A) Strategic HRM
(B) OD Intervention
(C) Performance Appraisal
(D) HR Analytics

129. Consider the following statements about 'competency':
(i) It is an observable and measurable pattern of skills, knowledge, and behaviors.
(ii) It is a predictor of job success.
(iii) It is distinct from tasks, which are what a person does.
(iv) It is an innate talent that cannot be developed.
Which of the above statement(s) is/are correct?
(A) (i), (ii), and (iii) only
(B) (i) and (iv) only
(C) (ii), (iii), and (iv) only
(D) All of the above

130. An organization that provides outplacement services to employees whose jobs have been eliminated is addressing which stage of career management?
(A) Career establishment
(B) Career exploration
(C) Career disengagement/decline
(D) Mid-career

131. The Management by Objectives (MBO) process of performance appraisal begins with:
(A) The final performance review.
(B) Setting clear, measurable, and mutually agreed-upon objectives.
(C) A 360-degree feedback collection.
(D) A critical incident analysis.

132. An Organization Development intervention that focuses on improving the effectiveness of work groups through activities like role clarification, goal setting, and interpersonal process analysis is known as:
(A) Survey Feedback
(B) Team Building
(C) Job Enrichment
(D) Process Consultation

133. The "war for talent" is a phrase that describes:
(A) The conflict between HR and finance departments over salary budgets.
(B) The intense competition among organizations to attract and retain high-performing employees.
(C) The process of collective bargaining between unions and management.
(D) The legal battles over intellectual property created by employees.

134. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Organizations are increasingly focusing on employee engagement as a key business metric.
Reason (R): Engaged employees are more likely to be productive, innovative, and committed, which directly impacts business outcomes like profitability and customer satisfaction.
Select the correct answer from the options below:
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

NODIA

135. What is the key difference between 'grievance' and 'dispute' in industrial relations?
(A) A grievance is always a collective issue, while a dispute is an individual complaint.
(B) A grievance is an individual's feeling of injustice, which, if not resolved, can become a collective dispute.
(C) A dispute is a minor complaint about office facilities, while a grievance is a major legal issue.
(D) There is no functional difference between the two; the terms are conceptually identical and interchangeable.

136. In which year was the primary legislation governing trade unions in India enacted?

85. Which of the following is NOT a strategic role of HR?
(A) Human Capital Steward
(B) Knowledge Facilitator
(C) Payroll Processor
(D) Relationship Builder

86. Consider the following statements about competency mapping:
(i) It helps in designing effective training and development programs.
(ii) It is a one-time activity that does not require updating.
(iii) It forms the basis for performance management and career planning.
(iv) It can be used to identify gaps between required and existing competencies.
Which of the above statement(s) is/are correct?
(A) (i) and (ii) only
(B) (i), (iii) and (iv) only
(C) (ii) and (iv) only
(D) All of the above

87. Career choices are often guided by self-perceived talents, motives, and values. Which of the following is NOT one of the primary career anchors?
(A) Technical/Functional Competence
(B) Managerial Competence
(C) Autonomy/Independence
(D) Total Work-Life Balance

88. The 'Recency Effect' is a performance appraisal error where the rater:
(A) Focuses on the most recent behavior of the employee, ignoring performance over the entire period.
(B) Allows one positive characteristic to influence all ratings.
(C) Rates everyone as average to avoid conflict.
(D) Is overly strict in their evaluation.

89. A manufacturing company wants to improve collaboration and communication between its production and quality control teams. An Organization Development consultant facilitates a series of workshops with both teams to clarify roles, improve processes, and resolve conflicts. This intervention is best described as:
(A) Sensitivity Training
(B) Job Redesign
(C) Intergroup Development
(D) Management by Objectives (MBO)

90. Which of the following statements correctly differentiates 'skill development' from 'talent development'?
(A) Skill development is for all employees, while talent development often targets high-potential employees.
(B) Skill development is long-term, while talent development is short-term.
(C) Skill development focuses on broad capabilities, while talent development is about specific job tasks.
(D) There is no difference; the terms are synonymous.

91. Which of the following actions by a manager is most likely to enhance employee engagement?
(A) Micromanaging every task to ensure perfection.
(B) Discouraging social interaction among team members to maintain focus.
(C) Setting unrealistic goals to push employees to their limits.
(D) Providing regular, constructive feedback and recognition.

92. 'Labour Welfare' can be defined as:
(A) The minimum wage paid to a worker.
(B) The voluntary efforts of an employer to establish services and facilities that enable workers to have a better life.
(C) The process of resolving disputes between labour and management.
(D) The legal framework governing trade unions.

93. Which of the following is NOT a function of a trade union?
(A) To negotiate wages and working conditions.
(B) To represent employees in grievance procedures.
(C) To appoint and promote managers in the company.
(D) To provide welfare services to members.

94. The 'Regiocentric' approach in International Human Resource Management involves:
(A) Hiring people for key jobs from any country in the world.

Downloaded from www.pdf.tube

59. The machinery for the settlement of industrial disputes primarily includes which three-tier system?
(A) Conciliation Officer, Board of Conciliation, and Court of Inquiry
(B) Works Committee, Grievance Committee, and Arbitration
(C) Supervisor, HR Manager, and CEO
(D) Labour Court, Industrial Tribunal, and National Tribunal

60. A 'closed shop' agreement in industrial relations refers to a situation where:
(A) The workplace is closed due to a lockout.
(B) Only members of a specific union can be hired.
(C) The union is not recognized by the management.
(D) Negotiations are held behind closed doors.

61. Which of the following is a major challenge for HR in international business operations?
(A) Reducing the number of holidays for local employees.
(B) Implementing a uniform dress code across all countries.
(C) Managing cultural diversity and expatriate adjustment.
(D) Standardizing the cafeteria menu globally.

62. A company decides to link a portion of its employees' bonuses to the company's success in reducing its overall carbon emissions. This is an example of:
(A) Green Training
(B) Green Recruitment
(C) Green Performance Appraisal
(D) Green Compensation

63. Which model views HR functions as comprising four key roles: Strategic Partner, Change Agent, Administrative Expert, and Employee Champion?
(A) Ulrich's HR Model
(B) Maslow's Hierarchy of Needs
(C) Herzberg's Two-Factor Theory
(D) Porter's Five Forces Model

64. An organization is building a competency model for its sales team. Which of the following would be an example of a 'behavioral competency' for this role?
(A) Knowledge of product features.
(B) Negotiation and persuasion skills.
(C) Ability to use the CRM software.
(D) A degree in marketing.

65. A senior employee guiding and supporting a junior employee in their professional journey is an example of:
(A) Job evaluation
(B) Mentoring
(C) Performance appraisal
(D) Grievance handling

66. What is 'Forced Distribution' in performance appraisal?
(A) A method that requires the rater to distribute ratings into a pre-specified bell curve.
(B) A method where all employees are forced to take a performance test.
(C) A method where employees distribute feedback among their peers.
(D) A method that allows employees to choose their own performance goals.

67. Which of the following is NOT a primary goal of Organization Development (OD)?
(A) To improve problem-solving and renewal processes.
(B) To create a climate of trust and collaboration.
(C) To increase the division and separation between departments.
(D) To enhance the organization's ability to adapt to change.

NODIA

68. Consider the following elements of talent management:
(i) Talent Acquisition
(ii) Performance Management
(iii) Learning and Development
(iv) Succession Planning
(v) Compensation and Benefits
Which of the following combinations represents the core cycle of talent management?
(A) (i), (ii), and (v) only
(B) (iii), (iv), and (v) only
(C) (i), (ii), (iii), and (iv) only
(D) All of the above

69. What is 'employee burnout'?

(C) Prioritizing work over personal life at all times.
(D) Working fewer hours to have more personal time.

103. 'Lay-off' in industrial relations means:
(A) The permanent termination of service of a workman by the employer for specific disciplinary reasons.
(B) The failure or refusal of an employer to give employment to a workman due to reasons like shortage of raw materials or breakdown of machinery.
(C) The voluntary retirement of a workman who chooses to leave the organization before the age of superannuation.
(D) A concerted refusal to work by employees intended to pressure the management into meeting certain demands.

104. Which of the following is a key feature of collective bargaining?
(A) It is a process involving individual negotiations.
(B) It is a bipartite process between the employer and the union.
(C) The government always acts as a third party.
(D) The outcomes are not binding on either party.

105. An Indian company sends an Indian manager to oversee its new office in Germany. From the perspective of the German subsidiary, this manager is a(n):
(A) Host-country national (HCN)
(B) Third-country national (TCN)
(C) Parent-country national (PCN) or Expatriate
(D) Local national

106. Which of the following statements about Strategic Human Resource Management (SHRM) is incorrect?
(A) SHRM involves a future-oriented perspective on managing people.
(B) SHRM is reactive and only responds to problems as they arise.
(C) It emphasizes the integration of HR policies with business strategy.
(D) It views employees as strategic assets for competitive advantage.

107. Consider the following statements regarding the Balanced Scorecard (BSC):
(i) The BSC framework involves multiple non-financial perspectives.
(ii) It is primarily a tool for short-term financial control.
(iii) It links performance measures to the organization's strategic objectives.
(iv) A key benefit is its ability to communicate strategy to the entire organization.
(v) It ignores non-financial performance indicators.
Which of the above statement(s) is/are correct?
(A) (i), (ii) and (v) only
(B) (ii), (iii) and (iv) only
(C) (i), (iii) and (iv) only
(D) All of the above

108. Which of the following is a 'development' focused activity rather than a 'training' focused activity?
(A) Teaching a new employee how to operate a specific software.
(B) Conducting a workshop on safety procedures.
(C) Enrolling a high-potential manager in a leadership program to prepare for future roles.
(D) On-the-job instruction on how to handle a customer query.

109. An appraiser who rates an employee based on a personal prejudice (e.g., based on gender, religion, or origin) is committing which type of appraisal error?
(A) Leniency Error
(B) Halo Effect
(C) Personal Bias / Stereotyping
(D) Recency Error

110. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Organizational change often faces resistance from employees.
Reason (R): Employees may fear the unknown, loss of job security, or disruption of social relationships, leading them to resist changes.
Select the correct answer from the options below:
(A) Both A and R are true and R is the correct

Click Here to Buy book on Amazon

(B) Using parent-country nationals to staff positions in all foreign subsidiaries.
(C) Using host-country nationals to manage their local subsidiaries.
(D) Appointing and transferring staff within a particular geographic region.

95. Consider the following statements about Green HRM:
Statement I: Green HRM is solely about environmental compliance and has no impact on profitability.
Statement II: By improving efficiency and enhancing corporate image, Green HRM can indirectly contribute to long-term financial performance.
Which of the above statements is/are correct?
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

96. When HR decisions are made based on data analysis and metrics rather than intuition, it is known as:
(A) Personnel Management
(B) HR Analytics
(C) Organizational Behavior
(D) Industrial Psychology

97. The 'Customer' perspective in a Balanced Scorecard for an HR department would focus on:
(A) The cost of HR operations per employee.
(B) The satisfaction of internal 'customers' (i.e., employees and line managers) with HR services.
(C) The number of training programs conducted.
(D) The company's overall market share.

98. A 'dual career ladder' is a career development structure that:
(A) Allows employees to advance their careers either through a managerial track or a technical/specialist track.
(B) Forces all employees to move into management roles for advancement.
(C) Requires employees to have two different jobs simultaneously.
(D) Is designed for couples working in the same organization.

99. The 'Critical Incident Technique' of performance appraisal involves:
(A) Rating employees on a predefined scale of traits.
(B) Comparing employees with each other and ranking them.
(C) Keeping a log of specific examples of an employee's effective and ineffective job behaviors.
(D) Setting mutually agreed-upon goals for the performance period.

NODIA

100. Match the types of Organization Development interventions in List I with their examples in List II:
List I: (Intervention Type)
P. Human Process Intervention
Q. Techno-structural Intervention
R. Strategic Change Intervention
S. Human Resource Management Intervention
List II: (Example)
1. Job Enrichment
2. Goal Setting
3. Team Building
4. Mergers and Acquisitions
Codes:
(A) P-3, Q-1, R-4, S-2
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-3, R-1, S-2
(D) P-3, Q-4, R-2, S-1

101. The process of forecasting the future demand for and supply of the right type and number of people is known as:
(A) Job Analysis
(B) Human Resource Planning
(C) Recruitment
(D) Performance Appraisal

102. What does 'work-life integration' suggest as an alternative to work-life balance?
(A) A strict separation of work and personal life.
(B) Blending work and personal life in a way that works for the individual.

(iii) Late career
(iv) Pre-career / Entry
Select the correct sequence from the options below:
(A) (iv), (ii), (i), (iii)
(B) (ii), (iv), (i), (iii)
(C) (iv), (i), (ii), (iii)
(D) (i), (ii), (iii), (iv)

120. Which performance appraisal method involves comparing each employee with every other employee on a one-to-one basis?
(A) Graphic Rating Scale
(B) Paired Comparison Method
(C) Forced Distribution Method
(D) Checklist Method

121. The 'unfreezing' stage in a standard change model involves:
(A) Implementing the new process or system.
(B) Reinforcing the change to make it permanent.
(C) Creating awareness and motivation for change by challenging existing beliefs and behaviors.
(D) Evaluating the results of the change initiative.

122. Which of the following is a proactive approach to talent management?
(A) Waiting for a key employee to resign before searching for a replacement.
(B) Creating talent pools and succession plans for critical roles in advance.
(C) Relying solely on external recruitment agencies to fill vacancies.
(D) Promoting employees based on seniority alone.

123. Consider the following statements about flexible work:
Statement I: Flexible working hours and telecommuting options can be effective tools for improving work-life balance.
Statement II: A positive work-life balance is linked to lower stress levels and higher retention rates.
Which of the above statements is/are correct?
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

NQDIA

124. 'Retrenchment' refers to the termination of the service of a workman by the employer for any reason whatsoever, other than as a punishment, but typically does NOT include:
(A) Voluntary retirement of the workman.
(B) Termination due to non-renewal of the contract of employment.
(C) Termination on the ground of continued ill-health.
(D) All of the above.

125. The theory of collective bargaining which states that it is a way of conducting industrial governance and a rule-making process is known as the:
(A) Marketing Theory
(B) Power Theory
(C) Governmental Theory
(D) Managerial Theory

126. Match the International Human Resource Management concepts in List I with their descriptions in List II:
List I: (Term)
P. Expatriate
Q. Repatriation
R. Culture Shock
S. HCN
List II: (Description)
1. Bringing an employee back to the home country
2. A citizen of the country where the subsidiary is located
3. An employee working outside their native country
4. Disorientation from an unfamiliar culture
Codes:
(A) P-3, Q-1, R-4, S-2
(B) P-1, Q-3, R-2, S-4
(C) P-3, Q-2, R-4, S-1
(D) P-4, Q-1, R-3, S-2

127. Which HR function is most directly involved in promoting an organization's environmental sustainability goals among employees?

explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

111. What is the main objective of a 'skill gap analysis'?
(A) To determine the salary for a new job role.
(B) To identify the difference between the skills required for a job and the actual skills possessed by employees.
(C) To rank employees based on their performance.
(D) To write job descriptions for vacant positions.

112. A company conducts an annual survey to measure employees' level of enthusiasm, dedication, and absorption in their work. This survey is measuring:
(A) Employee satisfaction
(B) Employee engagement
(C) Employee turnover
(D) Employee performance

113. Which of the following is NOT typically a formal method for the settlement of industrial disputes?
(A) Conciliation
(B) Arbitration
(C) Adjudication
(D) Litigation in civil courts

114. The process where a neutral third party assists the disputing parties (union and management) to reach a mutually agreeable settlement, but does not impose a decision, is known as:
(A) A formal legal adjudication where a judge makes a final ruling on the dispute.
(B) The process where a neutral third party assists the disputing parties (union and management) to reach a mutually agreeable settlement, but does not impose a decision.
(C) A binding arbitration process where the third party imposes a final decision on both parties.
(D) A direct collective bargaining session where only the two parties involved negotiate the terms.

115. Repatriation, in the context of International Human Resource Management, refers to the process of:
(A) Sending an employee on an international assignment.
(B) Bringing an expatriate employee back to their home country after an assignment is completed.
(C) Hiring a local national for a key position in a foreign subsidiary.
(D) Training an employee on cross-cultural communication.

116. A 'Green Audit' in an organization would most likely focus on:
(A) Assessing the financial health of the company.
(B) Evaluating the effectiveness of the performance appraisal system.
(C) Measuring the organization's environmental performance and impact.
(D) Reviewing the employee grievance records.

117. The transition from 'Personnel Management' to 'Human Resource Management' signifies a shift from:
(A) A strategic focus to an administrative focus.
(B) A proactive role to a reactive role.
(C) A focus on cost control to a focus on capital investment.
(D) A focus on administration and welfare to a strategic focus on people as resources.

118. Which statement best describes the purpose of a competency dictionary or framework in an organization?
(A) It is a directory of all employees and their contact information.
(B) It is a legal document outlining employment terms.
(C) It is a comprehensive list of defined competencies and their associated behavioral indicators for various roles.
(D) It is a schedule of all training programs offered by the company.

119. Arrange the following stages of an employee's career within an organization in chronological order:
(i) Mid-career
(ii) Early career / Establishment

Downloaded from www.pdf.tube

(A) 1947
(B) 1948
(C) 1926
(D) 1972

137. Which of the following is a primary advantage of a polycentric staffing policy in International Human Resource Management?
(A) It eliminates the language and cultural barriers between the subsidiary and the market.
(B) It facilitates better coordination between the headquarters and the subsidiary.
(C) It is the least expensive staffing policy to implement.
(D) It helps in developing a global pool of executives for the company.

138. A company includes 'environmental awareness' as a key competency in its performance appraisal system for all managers. This is an application of:
(A) Green Performance Management
(B) Balanced Scorecard
(C) Strategic HRM
(D) Talent Management

139. Which of the following is the most accurate description of the strategic role of Human Resource Management?
(A) Ensuring all HR paperwork is filed correctly and on time.
(B) Organizing the annual company picnic and social events.
(C) Partnering with line management to achieve organizational goals through effective people management.
(D) Processing payroll and administering employee benefits.

140. In the Balanced Scorecard, 'lead indicators' are measures that:
(A) Report on past performance and outcomes (e.g., revenue, profit).
(B) Drive future performance (e.g., employee skills, process efficiency).
(C) Are only financial in nature.
(D) Are only used in the customer perspective.

141. The phase in a person's career where they are trying to secure their position, gain more responsibility, and advance in the organizational hierarchy is known as the:
(A) Exploration stage
(B) Establishment stage
(C) Maintenance stage
(D) Decline stage

142. Which of the following statements about Management by Objectives (MBO) is incorrect?
(A) It involves joint goal-setting between manager and employee.
(B) The goals set are typically specific, measurable, and time-bound.
(C) It focuses on the 'how' (behaviors) rather than the 'what' (results).
(D) It is a collaborative and participative approach to performance management.

143. Consider the following Organization Development interventions:
(i) Sensitivity Training
(ii) Survey Feedback
(iii) Process Consultation
(iv) Team Building
(v) Intergroup Development
Which of the above are classified as 'Human Process Interventions'?
(A) (i) and (ii) only
(B) (iii), (iv), and (v) only
(C) (i), (ii), and (iv) only
(D) All of the above

144. An organization identifies employees who have the potential to move into senior leadership roles within the next 3-5 years. This group is often referred to as:
(A) The general workforce
(B) The high-potential (HiPo) pool
(C) The temporary staff
(D) The union members

145. A manager is constantly "checked out" at work, shows little enthusiasm, and does the bare minimum to get by, but is not actively disruptive. This behavior is characteristic of a(n):
(A) Engaged employee
(B) Actively disengaged employee
(C) Not engaged employee
(D) High-potential employee

NODIA

Statement II: Service-sector firms can also implement Green HRM through practices like energy conservation, waste reduction, green commuting policies, and paperless operations.
Which of the above statements is/are correct?
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

184. The most significant contribution of the strategic Human Resource Management perspective is its focus on:
(A) Vertical integration of HR practices with the strategic management process.
(B) Horizontal integration of various HR practices.
(C) Both vertical and horizontal integration.
(D) The administrative and operational role of HR.

185. A competency model describes 'how' a person needs to do a job (behaviors and skills), while a job description describes 'what' they need to do (tasks). Is this statement correct?
(A) Yes, the statement is fully correct.
(B) No, it is the other way around.
(C) No, both describe the 'what' in different ways.
(D) No, both describe the 'how' in different ways.

186. Which of the following is a primary objective of career planning from an individual's perspective?
(A) To identify and develop a pool of talent for the organization.
(B) To ensure the availability of qualified successors for key positions.
(C) To identify one's own career goals, strengths, and weaknesses.
(D) To reduce employee turnover for the company.

187. The 'Horn Effect' in performance appraisal is the tendency to:
(A) Rate an employee favorably on all traits because of one positive trait.
(B) Rate an employee unfavorably on all traits because of one negative trait.
(C) Rate all employees as average.
(D) Base the appraisal on the most recent performance only.

188. Which of the following is NOT a technique for overcoming resistance to organizational change?
(A) Education and Communication
(B) Participation and Involvement
(C) Coercion and Threats
(D) Facilitation and Support

189. Consider the following statements about Talent Management:
(i) It is a continuous and integrated process.
(ii) It is only concerned with recruiting senior executives.
(iii) It aims to have the right people with the right skills in the right jobs at the right time.
(iv) It is a short-term, reactive HR function.
(v) It is crucial for achieving a sustainable competitive advantage.
Which of the above statement(s) is/are correct?
(A) (i), (ii), and (iv) only
(B) (i), (iii), and (v) only
(C) (ii), (iv), and (v) only
(D) All of the above

190. Which of the following is a strong indicator of high employee engagement within a team?
(A) High rates of absenteeism.
(B) Frequent complaints and grievances.
(C) Employees taking initiative and going beyond their formal job descriptions.
(D) A culture of blame and finger-pointing.

191. A formal, step-by-step mechanism for employees to voice their complaints and have them resolved is known as a:
(A) Collective bargaining process
(B) Grievance redressal procedure
(C) Performance appraisal system
(D) Suggestion scheme

192. Which of the following is considered a militant function of a trade union?
(A) Providing housing and medical facilities.
(B) Organizing strikes, gheraos, and

Click Here to Buy book on Amazon

(B) Sourcing
(C) Employer Branding
(D) Talent Engagement and Retention

156. The Q12 survey is a well-known tool for measuring:
(A) Customer Satisfaction
(B) Financial Performance
(C) Employee Engagement
(D) Market Share

157. Which type of social security legislation typically provides for retirement benefits through joint contributions from employers and employees?
(A) Provident Fund legislation
(B) Maternity Benefit legislation
(C) Gratuity legislation
(D) Compensation legislation

158. What is the main difference between voluntary and compulsory arbitration in settling industrial disputes?
(A) Voluntary arbitration is binding, while compulsory is not.
(B) In voluntary arbitration, both parties agree to submit their dispute to an arbitrator, whereas in compulsory, the government mandates them to do so.
(C) Voluntary arbitration is conducted by a government official, while compulsory arbitration is by a private person.
(D) There is no difference in practice.

159. Consider the statement: "The selection criteria for an international assignment should primarily focus on technical skills and overlook cross-cultural adaptability." Identify the correctness of the statement.
(A) The statement is correct.
(B) The statement is incorrect, as cross-cultural adaptability is crucial for expatriate success.
(C) The statement is partially correct, as technical skills are the only important factor.
(D) The statement's correctness depends on the host country.

160. Which of the following is an outcome of effective Green HRM?
(A) Increased environmental pollution by the company.
(B) Higher employee turnover.
(C) A workforce that is more environmentally aware and engaged in sustainable practices.
(D) Decreased organizational efficiency.

161. The 'resource-based view' of the firm supports the strategic role of HRM by positing that:
(A) The belief that financial resources are the only significant source of long-term competitive advantage.
(B) A firm's competitive advantage lies in its unique, valuable, and inimitable internal resources, especially human capital.
(C) The idea that competitive advantage is primarily derived from a firm's relative market position.
(D) The theory that advanced technology is the most important and decisive resource for any modern firm.

NODIA

162. Match the Balanced Scorecard perspectives in List I with their sample metrics in List II:
List I: (Perspective)
P. Financial
Q. Customer
R. Internal Process
S. Learning & Growth
List II: (Sample Metric)
1. Time to market for new products
2. Employee retention rate
3. Return on Capital Employed (ROCE)
4. Brand recognition
Codes:
(A) P-4, Q-3, R-2, S-1
(B) P-3, Q-4, R-1, S-2
(C) P-3, Q-1, R-4, S-2
(D) P-2, Q-4, R-1, S-3

163. The concept of 'protean career' emphasizes that:
(A) The organization is primarily responsible for managing an individual's career.
(B) An individual's career is driven by their own values and is self-directed.
(C) A career path is a linear progression up the corporate ladder.
(D) Career success is defined by external factors like salary and title.

164. In a performance review, a manager criticizes an employee for a mistake made last week but ignores the excellent work done over the

preceding eleven months. This is a classic example of the:
(A) Halo Effect
(B) Central Tendency Error
(C) Recency Error
(D) Leniency Error

165. Which statement accurately describes the relationship between organizational change and Organization Development (OD)?
(A) OD is a specific type of organizational change that is unplanned and reactive.
(B) Organizational change is a subset of OD.
(C) OD is a planned, systematic approach to managing organizational change, focusing on culture and processes.
(D) OD and organizational change are unrelated concepts.

166. A company invests heavily in leadership development programs, creates clear career paths for top performers, and has a robust succession plan for critical roles. These activities are central to:
(A) Skill development
(B) Talent management
(C) Employee recruitment
(D) Grievance management

167. Identify the incorrect statement regarding work-life balance.
(A) It refers to the equilibrium between professional and personal life.
(B) Technology has made it easier for many to achieve a perfect work-life separation.
(C) Poor work-life balance can lead to increased stress and health problems.
(D) Organizational culture plays a significant role in promoting work-life balance.

168. The "payment of bonus" to employees is typically governed by which type of legislation?
(A) Minimum Wages legislation
(B) Bonus payment legislation
(C) Factory regulation legislation
(D) Trade Union legislation

169. Arrange the following steps in a standard grievance handling procedure in chronological order:
(i) Grievance to be brought to the attention of the immediate supervisor.
(ii) Grievance referred to the Head of the Department.
(iii) Grievance referred to the Grievance Committee.
(iv) Grievance referred to voluntary arbitration.
Select the correct sequence from the options below:
(A) (i), (ii), (iii), (iv)
(B) (ii), (i), (iv), (iii)
(C) (i), (iii), (ii), (iv)
(D) (iii), (i), (ii), (iv)

170. Which of the following is a major disadvantage of an ethnocentric staffing policy in International Human Resource Management?
(A) It leads to a better understanding of local customs.
(B) It can create a barrier for local employees, limiting their career advancement.
(C) It reduces the frequency of communication with headquarters.
(D) It is generally less expensive than other policies.

171. A firm's commitment to creating environmentally sustainable products and processes, supported by HR policies that reward eco-friendly behaviors, is an example of:
(A) Green HRM
(B) International HRM
(C) Performance Management
(D) Labour Welfare

172. When HR uses predictive analytics to identify employees at high risk of leaving the organization, it is performing a strategic activity known as:
(A) Attrition analysis
(B) Performance appraisal
(C) Competency mapping
(D) OD intervention

173. Which of the following is NOT a core competency category?
(A) Technical competency
(B) Behavioral competency
(C) Leadership competency
(D) Salary competency

Downloaded from www.pdf.tube

174. A senior surgeon who prefers to continue practicing and teaching advanced surgical techniques rather than taking up a hospital administrator role, even if it means higher pay, is likely driven by which career anchor?
(A) Managerial Competence
(B) Security/Stability
(C) Technical/Functional Competence
(D) Autonomy/Independence

175. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Behaviorally Anchored Rating Scales (BARS) are time-consuming and complex to develop.
Reason (R): Developing BARS requires identifying critical incidents of job performance and creating detailed behavioral statements for each level of performance on a scale.
Select the correct answer from the options below:
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

176. Which of the following is a key characteristic of Organization Development (OD)?
(A) It is problem-oriented and focuses on real organizational issues.
(B) It is driven by top management's commands without employee involvement.
(C) It relies on a one-size-fits-all solution for all organizational problems.
(D) It is a short-term, quick-fix approach.

177. Which of the following pairs is correctly matched?
(A) Talent Acquisition - Focusing only on internal promotions
(B) Skill Development - Generic education with no job relevance
(C) Succession Planning - Identifying and preparing future leaders
(D) Talent Retention - Increasing employee turnover

178. A call center employee feels emotionally drained, cynical about the job, and has a sense of reduced personal accomplishment. This is a classic case of:
(A) High engagement
(B) Work-life integration
(C) Job burnout
(D) Career plateau

179. The term 'Social Security' encompasses measures providing benefits for:
(A) Old age and retirement
(B) Sickness and maternity
(C) Invalidity and unemployment
(D) All of the above

NODIA

180. The primary objective of industrial disputes legislation is:
(A) To promote trade unionism.
(B) To investigate and settle industrial disputes through a legal machinery.
(C) To fix minimum wages for workers.
(D) To regulate the working conditions in factories.

181. What is the key difference between a 'strike' and a 'lock-out'?
(A) A strike is legal, while a lock-out is illegal.
(B) A strike is a work stoppage initiated by employees, while a lock-out is a work stoppage initiated by the employer.
(C) A strike involves violence, while a lock-out is peaceful.
(D) A strike is for higher wages, while a lock-out is for better working conditions.

182. An 'expatriate failure' occurs when an expatriate:
(A) Successfully completes their foreign assignment.
(B) Returns to their home country earlier than planned due to an inability to adjust or perform.
(C) Is promoted within the foreign subsidiary.
(D) Decides to permanently reside in the host country.

183. Consider the following statements about Green HRM:
Statement I: Green HRM initiatives are only relevant for manufacturing companies and not for service-sector organizations.

146. Which of the following is NOT typically a statutory welfare provision in industrial workplaces?
(A) Canteen facilities
(B) Crèches
(C) First-aid appliances
(D) Transport facilities from home to work

147. A 'union shop' is an agreement that requires:
(A) All employees to be union members before they are hired.
(B) The employer to only hire from a list provided by the union.
(C) Employees to join the union within a certain period after being hired.
(D) The employer to not recognize any union.

148. Consider the following statements about staffing approaches:
Statement I: A geocentric staffing approach is often the most complex and expensive to implement.
Statement II: A geocentric approach helps in building a strong global corporate culture and a pool of international executives.
Which of the above statements is/are correct?
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

149. Including sustainability-related questions in job interviews to gauge a candidate's environmental consciousness is a practice of:
(A) Green Recruitment
(B) Green Compensation
(C) Green Training
(D) Green Appraisal

150. Which of the following represents the correct evolution of the Human Resource function's role?
(A) Strategic Partner → Administrative Expert → Employee Champion
(B) Welfare Officer → Personnel Manager → Strategic HR Partner
(C) Payroll Clerk → Legal Advisor → Welfare Officer
(D) Strategic Partner → Personnel Manager → Administrative Expert

151. A hospital's balanced scorecard includes 'patient satisfaction scores' and 'average patient wait time'. These measures fall under which perspective?
(A) Financial
(B) Internal Business Process
(C) Learning and Growth
(D) Customer

152. A 'glass ceiling' in the context of career development is:
(A) A transparent management policy that promotes open communication.
(B) An invisible barrier that prevents women and minorities from advancing to senior leadership positions.
(C) A career path designed for rapid promotion.
(D) A performance appraisal system that is clear and easy to understand.

153. What is the 'Spillover Effect' in performance appraisal?
(A) The tendency to rate an employee high on all traits because of one positive trait.
(B) The tendency for a rater's general impression of a person to influence the rating of specific traits.
(C) Allowing the rating from a previous appraisal period to unduly influence the current period's rating.
(D) Rating everyone near the middle of the scale.

154. 'Refreezing', the final stage in a standard change model, is about:
(A) Planning for a new change.
(B) Creating dissatisfaction with the status quo.
(C) Stabilizing the change and integrating it into the normal way of doing things.
(D) Resisting the change efforts.

155. A company's talent management strategy is failing. A consultant observes that the company is excellent at attracting top graduates but loses 40% of them within two years. Which part of the talent management process is most likely weak?
(A) Talent Acquisition

Click Here to Buy book on Amazon

demonstrations to achieve demands.
(C) Running educational and vocational training classes.
(D) Undertaking research and publishing journals.

193. The belief that "what works at home will work abroad" is the hallmark of which International Human Resource Management approach?
(A) Polycentric
(B) Geocentric
(C) Ethnocentric
(D) Regiocentric

194. Providing training to employees on waste management, energy conservation, and environmental regulations is an example of:
(A) Green Recruitment
(B) Green Training and Development
(C) Green Compensation
(D) Green Performance Management

195. Which of the following best exemplifies the role of HR as a 'Change Agent'?
(A) Processing employee leave applications.
(B) Ensuring legal compliance in hiring.
(C) Facilitating the smooth implementation of a new organizational structure or technology.
(D) Maintaining personnel files.

196. The primary output of a competency mapping exercise is a:
(A) List of employee salaries.
(B) Set of clearly defined competencies with behavioral indicators for different proficiency levels.
(C) Performance appraisal form.
(D) Company's balance sheet.

197. An individual who frequently changes jobs and industries to gain a wide range of experiences and skills, and whose career is self-directed, is said to have a:
(A) Linear career
(B) Protean career
(C) Spiral career
(D) Plateaued career

198. The primary drawback of the 'Paired Comparison' method of performance appraisal is that:
(A) It is too subjective.
(B) It becomes unwieldy and complex when the number of employees is large.
(C) It does not provide a clear ranking of employees.
(D) It focuses only on negative behaviors.

199. A hospital decides to implement a new digital patient record system. The Organization Development team works with doctors, nurses, and administrative staff to manage the transition, provide training, and address concerns. This entire process is an example of:
(A) Organization Development
(B) Collective Bargaining
(C) Grievance Management
(D) Talent Acquisition

200. "The systematic process of determining the skills, duties, and knowledge required for performing jobs in an organization" is the definition of:
(A) Job Evaluation
(B) Job Analysis
(C) Job Design
(D) Job Rotation

201. Which of the following is a common challenge in implementing effective work-life balance policies?
(A) Lack of employee interest.
(B) The perception by some managers that employees who use flexible options are less committed.
(C) The policies are always too expensive to implement.
(D) The policies always lead to a decrease in productivity.

202. The concept of 'labour welfare' is:
(A) The minimum legal wage required to be paid to a worker under national laws.
(B) The mandatory legal efforts of an employer to establish basic health and safety services.
(C) A broad concept that includes any measures for the comfort and improvement of employees, over and above wages.
(D) The exclusive responsibility of trade unions to provide social support for their specific members.

Downloaded from www.pdf.tube

organization's success.
(B) Is essentially 'checked out' and puts in time but not energy or passion.
(C) Is unhappy at work and acts out their unhappiness, undermining what engaged coworkers accomplish.
(D) Is new to the job and still learning the ropes.

224. Which type of legislation typically provides for compensation to be paid to a workman in case of injury by accident arising out of and in the course of employment?
(A) State Insurance legislation
(B) Employee Compensation legislation
(C) Gratuity legislation
(D) Factory safety legislation

225. Match the industrial relations concepts in List I with the nature of their processes in List II:
List I: (Concept)
P. Adjudication
Q. Conciliation
R. Arbitration
S. Collective Bargaining
List II: (Nature of Process)
1. Bipartite negotiation
2. Third-party assists but does not decide
3. Third-party decision is binding
4. Compulsory settlement by a court
Codes:
(A) P-1, Q-2, R-3, S-4
(B) P-4, Q-2, R-3, S-1
(C) P-4, Q-3, R-2, S-1
(D) P-2, Q-4, R-1, S-3

226. What is the most common pre-departure training provided to expatriates?
(A) Technical skill enhancement
(B) Cross-cultural and language training
(C) Financial and tax planning
(D) Advanced project management

227. A company starts a 'Green Employee of the Month' award to recognize individuals who make significant contributions to the company's sustainability efforts. This is an example of:
(A) Green Rewards and Recognition
(B) Green Performance Management
(C) Green Recruitment
(D) Green Training

228. The strategic integration of HR practices with business objectives is also known as:
(A) Horizontal fit
(B) Vertical fit
(C) Administrative linkage
(D) One-way linkage

229. A 'lag indicator' in the Balanced Scorecard framework is a measure that:
(A) Predicts future performance.
(B) Describes past performance or an outcome.
(C) Is always a non-financial measure.
(D) Is part of the learning and growth perspective.

230. Arrange the following steps in the process of developing a Behaviorally Anchored Rating Scale (BARS) in chronological order:
(i) Develop performance dimensions.
(ii) Generate critical incidents.
(iii) Scale the incidents.
(iv) Reallocate the incidents.
(v) Develop the final instrument.
Select the correct sequence from the options below:
(A) (ii), (i), (iv), (iii), (v)
(B) (i), (ii), (iii), (iv), (v)
(C) (ii), (i), (iii), (iv), (v)
(D) (i), (iii), (ii), (v), (iv)

231. A key difference between Organization Development and other change management approaches is its strong emphasis on:
(A) Top-down authority
(B) Humanistic values and employee participation
(C) Financial restructuring
(D) Technological solutions

NODIA

232. 'Employer branding' is a crucial part of which talent management function?
(A) Talent Retention
(B) Talent Acquisition
(C) Performance Management
(D) Succession Planning

233. The feeling of 'flow', characterized by complete absorption in a challenging task that stretches one's skills, is a state associated with:
(A) Employee burnout
(B) High employee engagement

Which of the above statements is/are correct?
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

213. A 'go-slow' tactic by workers, where they deliberately slow down production without a full work stoppage, is a form of:
(A) Strike
(B) Lock-out
(C) Industrial action / protest
(D) Retrenchment

214. Which form of bargaining results in a win-win outcome where both parties achieve their goals?
(A) Distributive bargaining
(B) Integrative bargaining
(C) Concessionary bargaining
(D) Confrontational bargaining

215. The most significant HR challenge in a global merger or acquisition is often:
(A) Integrating different payroll systems.
(B) Merging two different organizational cultures and HR practices.
(C) Deciding on the new company logo.
(D) Combining the physical office spaces.

216. The concept of creating a 'green' workplace culture through HR policies is referred to as:
(A) Environmental Resource Management
(B) Green Human Resource Management
(C) Corporate Social Responsibility
(D) Sustainable Development

217. Viewing human resources as a source of competitive advantage is a cornerstone of:
(A) Personnel Management
(B) Scientific Management
(C) Strategic Human Resource Management
(D) Administrative Management

218. The 'Internal Business Process' perspective of the Balanced Scorecard answers which key question?
(A) "To succeed financially, how should we appear to our shareholders?"
(B) "To achieve our vision, how should we appear to our customers?"
(C) "To satisfy our shareholders and customers, what business processes must we excel at?"
(D) "To achieve our vision, how will we sustain our ability to change and improve?"

219. A 'sabbatical' leave offered by an organization is an example of a policy that supports:
(A) Career planning and personal development
(B) Disciplinary action
(C) The grievance procedure
(D) A reduction in workforce

220. Consider the following statements about performance appraisal:
(i) Its primary purpose is to provide feedback to employees.
(ii) It can be used as a basis for promotion and salary decisions.
(iii) It helps in identifying training and development needs.
(iv) It is an effective tool for employee motivation when conducted constructively.
(v) It should exclusively focus on negative aspects of performance.
Which of the above statement(s) is/are correct?
(A) (i) and (v) only
(B) (i), (ii), (iii), and (iv) only
(C) (ii) and (iv) only
(D) All of the above

221. The main driver behind most Organization Development (OD) efforts is:
(A) The need to cut costs.
(B) The need to adapt to internal or external change.
(C) The need to comply with a new law.
(D) The need to hire more employees.

222. The 9-box grid, a tool for talent review, plots employees on two axes. What are these two axes?
(A) Age and Experience
(B) Salary and Seniority
(C) Performance and Potential
(D) Education and Skills

223. An "actively disengaged" employee is one who:
(A) Is passionate about their work and the

Click Here to Buy book on Amazon

203. Which of the following is NOT typically a form of collective bargaining?
(A) Distributive bargaining
(B) Integrative bargaining
(C) Individual bargaining
(D) Productivity bargaining

204. A major reason for 'expatriate failure' is the inability of the expatriate or their family to adjust to the host country's culture. This highlights the importance of:
(A) Higher compensation packages.
(B) Cross-cultural training before departure.
(C) Shorter assignment durations.
(D) Better technical skills.

205. The ultimate goal of Green HRM is to:
(A) Reduce HR department costs.
(B) Increase employee salaries.
(C) Foster a green corporate culture that contributes to environmental sustainability.
(D) Comply with the minimum legal environmental standards.

206. In a standard HR model, the 'Employee Champion' role involves:
(A) Aligning HR with business strategy.
(B) Managing organizational transformation.
(C) Listening and responding to employees' needs and concerns.
(D) Managing the administrative HR infrastructure.

207. A software company defines "Innovation" as a key competency. A behavioral indicator for this competency at a senior level could be: "Consistently identifies and implements new processes or product ideas that create significant value for the company." This statement is an example of what is found in a:
(A) Job Description
(B) Competency Framework
(C) Performance Contract
(D) Employment Offer Letter

208. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Succession planning is a critical process for ensuring leadership continuity in an organization.
Reason (R): It involves identifying and developing internal people with the potential to fill key business leadership positions in the company.
Select the correct answer from the options below:
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

209. Which of the following scenarios best illustrates the 'Contrast Effect' in performance appraisal?
(A) An average employee is rated as excellent because they are being evaluated immediately after a very poor performer.
(B) A manager gives a high rating to an employee who shares a similar background.
(C) A manager rates everyone as 'average'.
(D) A manager bases the entire year's rating on a project that was completed last week.

210. Which Organization Development intervention involves a consultant observing and providing feedback on communication, problem-solving, and decision-making processes within a group?
(A) Survey Feedback
(B) Team Building
(C) Process Consultation
(D) Job Redesign

NODIA

211. Which of the following is a primary goal of talent development?
(A) To ensure all employees have the basic skills for their current job.
(B) To prepare high-potential employees for future leadership and critical roles.
(C) To conduct annual performance reviews.
(D) To handle employee payroll and benefits.

212. Consider the following statements about engagement and satisfaction:
Statement I: High employee engagement is a guaranteed outcome of high employee satisfaction.
Statement II: An employee might be satisfied with their pay and work conditions but may lack the motivation and commitment characteristic of an engaged employee.

(C) Work-life conflict
(D) Career plateau

234. Consider the following statements regarding crèche facilities at the workplace:
(i) They are often a requirement under maternity benefit legislation.
(ii) They are often a requirement under general factory legislation for establishments with a high number of female employees.
Which of the above statement(s) is/are correct?
(A) (i) only
(B) (ii) only
(C) Both (i) and (ii)
(D) Neither (i) nor (ii)

235. Adjudication in industrial relations typically involves a three-tier system. What are these three tiers?
(A) Labour Courts, Industrial Tribunals, and National Tribunals
(B) Gram Panchayat, District Court, and High Court
(C) Works Committee, Conciliation Board, and Arbitration
(D) Supervisor, Manager, and HR Head

236. A French company running a subsidiary in India promotes an Indian manager to head the Indian operations. This is an example of which staffing policy?
(A) Ethnocentric
(B) Polycentric
(C) Geocentric
(D) Regiocentric

237. Which of the following is a key barrier to implementing Green HRM?
(A) Lack of support from environmental agencies.
(B) Insufficient focus on short-term profits and perceived high costs.
(C) An overly engaged workforce.
(D) Abundance of green technologies.

238. From a strategic viewpoint, what is the primary role of a performance management system?
(A) To complete paperwork for HR records.
(B) To link individual and team performance to the organization's strategic goals.
(C) To identify employees for disciplinary action.
(D) To justify annual salary increments.

239. 'Competency-based pay' is a compensation system where employees are paid based on:
(A) Their seniority in the organization.
(B) The job title they hold.
(C) The skills and competencies they possess and demonstrate.
(D) The profitability of their department.

240. The 'maintenance' stage of a career is characterized by:
(A) Trying out different jobs and roles.
(B) Striving for promotion and more responsibility.
(C) Holding onto one's accomplishments and potentially acting as a mentor.
(D) Preparing for retirement and disengagement from work.

241. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Performance appraisal can be a source of stress and anxiety for employees.
Reason (R): If the appraisal process is perceived as unfair, biased, or lacks clarity, it can lead to demotivation and conflict rather than development.
Select the correct answer from the options below:
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

242. A 'Quality Circle' is a type of Organization Development intervention that can be classified as:
(A) A human process intervention.
(B) A techno-structural intervention focusing on employee participation in problem-solving.
(C) A strategic intervention.
(D) A human resource management intervention.

Downloaded from www.pdf.tube

(D) Performance management is informal, while appraisal is always formal.

267. Which of the following correctly lists the stages of the performance management cycle described in the text?
(A) Rewarding, monitoring, planning, and reviewing.
(B) Planning, monitoring, reviewing, and rewarding.
(C) Monitoring, planning, rewarding, and reviewing.
(D) Planning, reviewing, rewarding, and monitoring.

268. The passage states that the developmental objective of performance appraisal is to:
(A) Identify employee strengths and weaknesses for training purposes.
(B) Provide a basis for administrative decisions like promotions.
(C) Justify salary adjustments and bonus allocations.
(D) Document poor performance for potential termination.

269. An administrative objective of performance appraisal, as mentioned in the source, would be to:
(A) Foster open communication between a manager and an employee.
(B) Help an employee with their career planning.
(C) Make a decision regarding an employee's promotion.
(D) Identify the need for a new team-building exercise.

270. What is a key benefit of viewing performance management as a continuous process?
(A) It significantly reduces the amount of paperwork for managers.
(B) It eliminates the need for any formal review meetings.
(C) It guarantees that all employees will receive a pay raise annually.
(D) It fosters a culture of ongoing improvement and shared responsibility.

Direction : Please read the following source carefully.

Organization Development (OD) is a systematic and planned effort to enhance an organization's effectiveness and viability. Fundamentally, it is rooted in behavioral-science knowledge and involves long-range initiatives to improve an organization's problem-solving and renewal processes. A key characteristic of OD is its focus on managing planned change, distinguishing it from unmanaged or reactive adaptations to external pressures. The process typically involves diagnosis, action planning, intervention, and evaluation. OD interventions are the structured activities designed to help an organization improve its performance and health. These interventions are tailored to the specific needs identified during the diagnostic phase and can target individuals, groups, or the entire organization. Examples of common OD interventions include team-building exercises to improve group dynamics, survey feedback to facilitate organizational self-examination, and process consultation, where a consultant helps a client perceive, understand, and act upon process events occurring in their environment. The overarching goal of OD is not just to implement a single change but to build the organization's capacity for self-renewal and continuous improvement, fostering a more adaptive and resilient culture that can navigate future challenges effectively.

Based on the above source, attempt the following five questions.

271. What is the core foundation of Organization Development (OD) as described in the passage?
(A) Financial accounting principles.
(B) Principles of production and operations management.
(C) Knowledge derived from the behavioral sciences.
(D) Legal frameworks and corporate law.

272. A defining feature of OD mentioned in the text is its focus on:
(A) Short-term, immediate problem-solving.
(B) Managing planned change in a systematic way.
(C) Responding to crises in a reactive manner.
(D) Implementing technology without considering human factors.

NODIA

that human resource policies and practices are designed to cultivate a workforce capable of executing the company's strategic plan and achieving a sustainable competitive advantage. The strategic human resource management (SHRM) process involves a systematic approach that includes environmental scanning, identifying strategic business issues, formulating HR strategies, and implementing and evaluating these strategies. Key to this role is the ability of HR to translate organizational goals into specific HR objectives, such as developing core competencies, managing talent, and fostering a culture that supports innovation and performance. By focusing on long-term human resource issues and contributing to the strategic decision-making process of the firm, HRM validates its position as a critical business function rather than a support service, directly impacting organizational effectiveness, profitability, and market position.

Based on the above source, attempt the following five questions.

251. What is the primary implication of HRM adopting a strategic role within an organization?
(A) A focus on reducing the costs associated with personnel administration.
(B) An alignment of HR practices with the overarching business strategy.
(C) The complete outsourcing of traditional HR administrative tasks.
(D) The increased regulation of employee-related legal compliance.

252. According to the passage, how does strategic HRM contribute to a sustainable competitive advantage?
(A) By cultivating a workforce with capabilities that support the company's strategic plan.
(B) By minimizing employee turnover through higher compensation packages.
(C) By strictly enforcing workplace rules and regulations.
(D) By implementing the latest HR information systems for efficient record-keeping.

253. Which of the following best describes the shift in the perception of HRM as detailed in the text?
(A) From a cost center to a profit center.
(B) From a legal advisor to a marketing partner.
(C) From a support service to a critical business function.
(D) From a manual process to a fully automated system.

254. The passage suggests that the strategic HRM process begins with which activity?
(A) Implementing new HR policies.
(B) Formulating specific HR strategies.
(C) Evaluating the performance of the HR department.
(D) Scanning the environment and identifying strategic business issues.

255. Which concept is central to the role of strategic HRM in translating organizational goals into HR objectives?
(A) Ensuring payroll is processed accurately and on time.
(B) Managing day-to-day employee grievances effectively.
(C) Developing core competencies and managing talent.
(D) Organizing employee recreational activities and events.

Direction : Please read the following source carefully.

In the pursuit of aligning human capital with strategic goals, organizations employ sophisticated tools like Competency Mapping and the Balanced Scorecard (BSC). Competency mapping is a systematic process of identifying the specific skills, knowledge, attitudes, and behaviors—collectively known as competencies—that are critical for successful performance in a particular role or for the organization as a whole. This process creates a blueprint for excellence, which can be used for recruitment, training and development, performance management, and succession planning. Complementing this, the Balanced Scorecard is a strategic planning and management system used to align business activities with the vision and strategy of the organization. The BSC framework goes beyond traditional financial measures, incorporating three additional perspectives: the customer, internal business processes, and learning and growth. It is within the 'learning and growth' perspective that the synergy with competency mapping becomes most apparent. This perspective focuses on the intangible assets of an organization,

Click Here to Buy book on Amazon

as a collective voice for employees, addressing the inherent power imbalance that exists when an individual employee negotiates with an employer. The primary instrument used by trade unions to achieve their objectives is collective bargaining. This is a formal process of negotiation between an employer (or a group of employers) and a representative group of employees (the trade union) to determine the terms and conditions of employment. The outcome of successful collective bargaining is a collective bargaining agreement (CBA), a legally binding contract that typically covers aspects like wages, working hours, benefits, and grievance procedures. This process effectively replaces individual, disparate negotiations with a unified, joint determination of rules, establishing what is often referred to as the 'law of the job'. By providing a structured and peaceful mechanism for resolving differences, collective bargaining is a cornerstone of modern industrial democracy, channeling conflict into constructive negotiation.
Based on the above source, attempt the following five questions.

291. What is the principal function of a trade union as stated in the passage?
(A) To manage the day-to-day operations of the company.
(B) To provide initial job training for all new employees.
(C) To act as a collective voice to protect and further workers' interests.
(D) To invest company profits on behalf of the employees.

292. Collective bargaining is described as a process of negotiation between:
(A) An employer and a representative group of employees.
(B) Two different trade unions competing for members.
(C) An individual employee and their direct supervisor.
(D) The government and an employer regarding tax regulations.

293. What is the typical outcome of a successful collective bargaining process?
(A) A list of employees recommended for promotion.
(B) A new marketing strategy for the company.
(C) The dissolution of the trade union.
(D) A legally binding contract covering terms of employment.

294. The passage suggests that collective bargaining addresses the power imbalance in the workplace by:
(A) Ensuring all employees are promoted to management positions.
(B) Replacing individual negotiations with a unified, joint process.
(C) Giving the trade union complete control over the company.
(D) Eliminating the need for any management structure.

295. The term 'law of the job' in the context of the paragraph refers to:
(A) National labour legislation passed by the government.
(B) The company's official code of conduct policy.
(C) The set of rules established by a collective bargaining agreement.
(D) The informal customs and practices within a workplace.

Direction : Please read the following source carefully.

As businesses transcend national borders, the practice of human resource management evolves into International Human Resource Management (IHRM), which involves managing a global workforce to achieve organizational objectives. A primary HR challenge of international business is navigating the complexities of cultural, legal, and economic differences across countries. This includes managing different types of international employees, such as parent-country nationals (expatriates), host-country nationals, and third-country nationals. A significant IHRM task is the effective management of expatriates, which involves selection, cross-cultural training, compensation, and repatriation. Another challenge lies in the strategic choice between standardizing HR practices globally for consistency and efficiency, versus adapting them to local contexts to be more effective and culturally sensitive. More recently, the concept of Green HRM has emerged, reflecting a growing corporate consciousness towards environmental

NODIA

(B) Career planning focuses on senior management, while career development focuses on new hires.
(C) Career planning is theoretical, while career development is entirely practical.
(D) Career planning is an individual process, while career development is an organizational process.

262. According to the passage, what is a key objective of an organization's career development initiatives?
(A) To minimize the need for external recruitment by focusing only on internal promotions.
(B) To ensure a ready supply of internal candidates for future critical roles.
(C) To provide employees with skills that are only applicable to their current job.
(D) To conduct annual performance appraisals for administrative purposes.

263. The passage suggests that the relationship between career planning and career development is:
(A) Antagonistic, with individual and organizational goals often in conflict.
(B) Independent, with little to no influence on each other.
(C) Symbiotic, where individual ambitions are aligned with organizational needs.
(D) Hierarchical, where organizational plans dictate all individual career choices.

264. Which of the following is an example of an organizational career development activity mentioned in the text?
(A) An employee writing a personal mission statement.
(B) An employee identifying their career aspirations.
(C) An employee conducting a self-assessment of skills.
(D) The implementation of a formal mentoring program.

265. What is a significant outcome for an organization that effectively invests in career development?
(A) Enhanced employee loyalty and a reduction in turnover.
(B) An increase in short-term profits from reduced operational costs.
(C) The complete elimination of the need for employee training.
(D) A simplification of the organizational structure.

Direction : Please read the following source carefully.

Performance management is a holistic and continuous process aimed at creating a work environment where people are enabled to perform to the best of their abilities, thereby aligning employee performance with organizational strategic goals. It should not be confused with performance appraisal, which is a discrete, often annual, event within the broader management system. The performance management cycle encompasses several key stages: planning, which involves setting goals and performance standards; monitoring, which is the ongoing process of tracking progress and providing feedback; reviewing, which includes the formal assessment of performance, typically through an appraisal; and rewarding, which involves recognizing performance through salary adjustments, bonuses, and non-financial rewards. The objectives of performance appraisal are twofold: developmental, focusing on identifying employee strengths and weaknesses to guide training and career development; and administrative, providing a basis for decisions regarding pay raises, promotions, and terminations. By adopting a continuous management process rather than a singular evaluation event, organizations can foster a culture of ongoing improvement, open communication, and strategic alignment, making performance a shared responsibility between managers and employees.

Based on the above source, attempt the following five questions.

266. What is the fundamental difference between performance management and performance appraisal, according to the passage?
(A) Performance management is for managers, while appraisal is for non-managerial staff.
(B) Performance management is a continuous process, while appraisal is a discrete event.
(C) Performance management focuses on weaknesses, while appraisal focuses on strengths.

NODIA

such as its human capital, culture, and infrastructure. By setting objectives for employee capabilities, information system capabilities, and motivation, the learning and growth perspective directly informs and is informed by the outputs of competency mapping, ensuring that the development of employee competencies is strategically driven and measured.

Based on the above source, attempt the following five questions.

256. What is the fundamental purpose of competency mapping as described in the paragraph?
(A) To exclusively measure the financial performance of employees.
(B) To identify the key attributes required for successful job performance.
(C) To create a rigid hierarchy within the organizational structure.
(D) To automate the process of employee payroll and benefits administration.

257. The Balanced Scorecard (BSC) is described as a system that primarily aims to:
(A) Replace all financial metrics with non-financial performance indicators.
(B) Focus solely on improving internal business processes for efficiency.
(C) Conduct an annual audit of the company's financial statements.
(D) Align day-to-day work with the strategic vision of the organization.

258. In which perspective of the Balanced Scorecard does its synergy with competency mapping become most evident?
(A) The learning and growth perspective.
(B) The financial perspective.
(C) The customer perspective.
(D) The internal business process perspective.

259. According to the text, the 'learning and growth' perspective of the BSC primarily focuses on:
(A) The organization's tangible assets like machinery and buildings.
(B) The organization's market share and customer retention rates.
(C) The organization's intangible assets like human capital and culture.
(D) The organization's short-term profitability and revenue growth.

260. Based on the passage, what can be inferred about the relationship between competency mapping and the Balanced Scorecard?
(A) The BSC's learning and growth objectives can guide the focus of competency mapping.
(B) They are mutually exclusive tools with no overlapping functions.
(C) Competency mapping is a subset of the financial perspective of the BSC.
(D) The Balanced Scorecard has made competency mapping an obsolete practice.

Direction : Please read the following source carefully.

Career Planning and Development is a dual-focused process crucial for both employee retention and organizational effectiveness. From an individual perspective, career planning involves a personal journey of identifying one's own career goals, skills, and interests, and charting a course to achieve them. It is an introspective process where an employee determines their career aspirations. Conversely, career development is the organizational perspective, comprising the systematic series of activities and processes designed to align the individual's career aspirations with the workforce needs of the organization. This includes formal programs such as training, job rotation, mentoring, and coaching, as well as the creation of clear career paths and ladders. A key objective of organizational career development is succession planning, ensuring a pipeline of qualified internal candidates is ready to fill future leadership and critical roles. By investing in career development, organizations not only enhance employee skills and motivation but also foster loyalty and reduce turnover. The symbiotic relationship between individual career planning and organizational career development creates a framework where employees see a viable future within the company, thereby aligning personal ambition with long-term corporate strategy and contributing to sustained growth.

Based on the above source, attempt the following five questions.

261. What is the primary distinction between career planning and career development as presented in the text?
(A) Career planning is short-term, while career development is long-term.

Downloaded from www.pdf.tube

273. According to the paragraph, what is an "OD intervention"?
(A) A mandatory government audit of organizational processes.
(B) A spontaneous employee-led protest against a new policy.
(C) A financial bailout plan for a failing organization.
(D) A structured activity designed to improve organizational performance.

274. Which of the following is presented as an example of an OD intervention?
(A) Team-building exercises.
(B) Annual budgeting.
(C) Marketing campaign launch.
(D) Payroll processing.

275. What can be inferred as the ultimate aim of Organization Development?
(A) To achieve a one-time improvement in profitability.
(B) To downsize the workforce for cost-cutting purposes.
(C) To build the organization's internal capacity for continuous improvement.
(D) To replace the existing management team with external consultants.

Direction : Please read the following source carefully.

Talent Management is a comprehensive and integrated organizational strategy designed to attract, develop, retain, and deploy employees with the required skills and aptitude to meet current and future business needs. It moves beyond traditional, siloed HR functions by creating a holistic system that views employees as a critical portfolio of assets. The core premise of talent management is that an organization's long-term success is contingent upon the quality of its talent pool. A crucial component of this strategy is robust skill development, which focuses on systematically enhancing the capabilities of the workforce. Skill development is not merely about providing generic training but involves a targeted approach to bridge identified "skill gaps"—the discrepancy between the skills an organization needs and the skills its current workforce possesses. This includes upskilling (teaching employees advanced skills) and reskilling (training employees for new roles). By strategically investing in the identification of high-potential individuals and providing them with tailored development opportunities, talent management ensures a sustainable leadership pipeline and enhances organizational agility. This proactive approach to managing human capital is a key differentiator that enables firms to achieve and sustain a competitive advantage in a dynamic market environment.

Based on the above source, attempt the following five questions.

276. What is the central premise of a talent management strategy?
(A) That an organization's long-term success depends on the quality of its people.
(B) That reducing employee headcount is the best way to increase profitability.
(C) That all HR functions should operate independently of one another.
(D) That outsourcing is the most effective method for acquiring new skills.

277. How does talent management differ from traditional HR functions according to the passage?
(A) It focuses exclusively on recruiting entry-level employees.
(B) It is primarily concerned with administrative tasks and payroll.
(C) It is a reactive strategy that only addresses immediate staffing problems.
(D) It operates as a holistic and integrated system rather than in silos.

278. The passage defines a "skill gap" as:
(A) The time it takes for a new employee to become fully productive.
(B) The discrepancy between the skills needed and the skills available in the workforce.
(C) The difference in salary between two employees in the same role.
(D) The physical distance between the training center and the workplace.

279. Which activity is specifically associated with skill development in the context of talent management?
(A) Conducting exit interviews with departing employees.
(B) Processing monthly salary and benefits.

NODIA

(C) Training employees for new roles within the organization (reskilling).
(D) Managing the company's social media presence for recruitment.

280. Based on the text, what is a primary outcome of a successful talent management and skill development program?
(A) A reduction in the organization's training budget.
(B) The standardization of all jobs across the organization.
(C) An increase in the number of temporary contract workers.
(D) The creation of a sustainable leadership pipeline.

Direction : Please read the following source carefully.

Employee engagement and work-life balance are two interconnected concepts critical to modern human resource management and organizational success. Employee engagement refers to the level of an employee's emotional and intellectual commitment to the organization and its goals. An engaged employee is not just satisfied or happy; they are passionate about their work, demonstrate a willingness to invest discretionary effort, and are proactive in contributing to the company's reputation and interests. High levels of employee engagement correlate strongly with improved productivity, higher retention rates, and better business outcomes. A significant driver of engagement is the perception of a healthy work-life balance. Work-life balance is the state of equilibrium where an individual effectively manages their professional duties and their personal responsibilities and interests. Organizations foster this balance through supportive policies such as flexible working hours, telecommuting options, and adequate leave provisions, as well as by cultivating a culture that respects employees' time outside of work. In today's competitive talent market, promoting work-life balance is no longer a peripheral benefit but a strategic imperative for attracting top talent, reducing burnout, and sustaining high levels of employee engagement and performance over the long term.

Based on the above source, attempt the following five questions.

281. What best defines employee engagement as described in the paragraph?
(A) The employee's emotional and intellectual commitment to organizational goals.
(B) The employee's satisfaction with their salary and benefits.
(C) The number of hours an employee works per week.
(D) The employee's punctuality and attendance record.

282. The passage suggests that a key indicator of an engaged employee is their:
(A) Reluctance to work beyond their designated job description.
(B) Willingness to invest discretionary effort in their work.
(C) Frequent use of sick leave and personal days.
(D) Focus on personal career goals over company objectives.

283. How does the text describe the relationship between work-life balance and employee engagement?
(A) They are conflicting goals that cannot be achieved simultaneously.
(B) A healthy work-life balance is a significant driver of employee engagement.
(C) Employee engagement is a prerequisite for achieving work-life balance.
(D) The two concepts are entirely unrelated to each other.

284. Which of the following is an example of an organizational policy that promotes work-life balance?
(A) Offering flexible working hours to employees.
(B) A mandatory 60-hour work week to increase output.
(C) A strict policy against working from home.
(D) A culture that expects employees to be available 24/7.

285. According to the text, why is promoting work-life balance considered a "strategic imperative"?
(A) It is legally required by international labour laws in all countries.
(B) It significantly reduces the need for employee supervision.

Click Here to Buy book on Amazon

(C) It is essential for attracting talent and sustaining engagement.
(D) It is the most effective way to reduce operational costs.

Direction : Please read the following source carefully.

The field of Industrial Relations is primarily concerned with establishing and maintaining harmony between employers and employees. A critical aspect of this is the effective management of conflicts, which can manifest as grievances or industrial disputes. A grievance is typically an individual employee's feeling of dissatisfaction or injustice concerning their employment, which is formally brought to the attention of management. Grievance management refers to the formal, systematic process established within an organization to resolve such complaints promptly and fairly, preventing them from escalating. An industrial dispute, on the other hand, is a broader disagreement between employers and a group of workers, often concerning wages, working hours, or conditions of employment, and may lead to work stoppages. Beyond conflict resolution, industrial relations also encompass proactive measures like labour welfare and social security. Labour welfare involves the provision of amenities and facilities, such as canteens, housing, and recreational clubs, which improve the working and living conditions of employees. Social security refers to state-guaranteed protection for workers against various contingencies like sickness, maternity, disability, unemployment, and old age, through schemes like insurance and pensions. These measures collectively contribute to a stable and productive industrial environment.

Based on the above source, attempt the following five questions.

286. What is the main difference between a grievance and an industrial dispute as described in the passage?
(A) A grievance is formal, whereas an industrial dispute is always informal.
(B) A grievance relates to salary, while an industrial dispute relates to working hours.
(C) A grievance is resolved by the state, while an industrial dispute is resolved by management.
(D) A grievance is typically individual, while an industrial dispute involves a group of workers.

287. The primary purpose of a grievance management system is to:
(A) Discipline employees who raise complaints.
(B) Document issues for future collective bargaining.
(C) Resolve individual employee complaints to prevent escalation.
(D) Provide a basis for firing underperforming workers.

NODIA

288. According to the text, "labour welfare" refers to:
(A) The process of negotiating wages with trade unions.
(B) The provision of amenities and facilities by the employer.
(C) State-guaranteed protection against unemployment.
(D) The legal procedures for handling industrial disputes.

289. Providing maternity benefits and old-age pensions falls under the category of:
(A) Grievance management.
(B) Collective bargaining.
(C) Labour welfare.
(D) Social security.

290. What is the inferred collective goal of grievance management, labour welfare, and social security?
(A) To contribute to a stable and harmonious industrial environment.
(B) To maximize the profits of the organization at all costs.
(C) To increase the power of trade unions in the workplace.
(D) To replace the role of management with state intervention.

Direction : Please read the following source carefully.

In the landscape of industrial relations, trade unions and collective bargaining are fundamental institutions for balancing power between labour and management. A trade union is an organized association of workers in a trade, group of trades, or profession, formed to protect and further their rights and interests. They act

243. The "buy vs. build" decision in talent management refers to:
(A) The choice between leasing or owning office space.
(B) The choice between outsourcing HR functions or keeping them in-house.
(C) The choice between hiring talent from outside the organization ('buy') or developing it internally ('build').
(D) The choice between using proprietary or open-source software.

244. A company introduces a "right to disconnect" policy, allowing employees to not respond to work-related emails or calls after office hours. This policy directly addresses:
(A) Employee performance
(B) Work-life balance and digital burnout
(C) The company's carbon footprint
(D) The collective bargaining process

245. Which of the following is an example of non-statutory (voluntary) labour welfare?
(A) A canteen established as per legal mandates.
(B) A first-aid box provided as per legal requirements.
(C) A company-sponsored scholarship for employees' children.
(D) A provident fund contribution as per legal statutes.

246. Consider the following statements about Trade Unions:
(i) They are voluntary associations of workers.
(ii) Their primary purpose is to protect and promote the interests of their members.
(iii) They engage in collective bargaining with employers.
(iv) They are typically registered under specific national labour legislation.
Which of the above statement(s) is/are correct?
(A) (i) and (ii) only
(B) (i), (ii) and (iii) only
(C) (iii) and (iv) only
(D) All of the above

247. The high failure rate of international assignments is most often attributed to:
(A) Inadequate technical skills of the expatriate.
(B) Poor cross-cultural adjustment of the expatriate and their family.
(C) Excessive compensation packages.
(D) Political instability in the host country.

248. The "3 P" approach to Green HRM refers to:
(A) People, Planet, Profit
(B) Policy, Practice, Performance
(C) Preserve, Protect, Promote
(D) Plan, Proceed, Perfect

249. An organization's HR strategy is focused on cost reduction through efficiency, automation, and minimizing labor costs. This HR strategy would be most aligned with which generic business strategy?
(A) Differentiation
(B) Cost Leadership
(C) Focus
(D) Market Integration

250. Match the Performance Appraisal Errors in List I with their descriptions in List II:
List I: (Appraisal Error)
P. Halo Effect
Q. Horn Effect
R. Central Tendency
S. Recency Effect
List II: (Description)
1. Rating everyone as average.
2. Letting one negative trait overshadow all others.
3. Basing the entire evaluation on recent events.
4. Letting one positive trait influence all other ratings.
Codes:
(A) P-4, Q-2, R-1, S-3
(B) P-2, Q-4, R-3, S-1
(C) P-4, Q-1, R-2, S-3
(D) P-3, Q-2, R-1, S-4

Direction : Please read the following source carefully.

The evolution of Human Resource Management (HRM) marks a significant paradigm shift from a traditionally administrative and reactive function to a proactive, strategic partner in achieving organizational objectives. In its strategic role, HRM is not merely concerned with personnel administration tasks such as payroll and record-keeping, but is deeply integrated with the overall business strategy. This strategic alignment ensures

Downloaded from www.pdf.tube

sustainability. Green HRM refers to the use of HR policies and practices to promote sustainable use of resources within the organization and to foster an environmentally friendly culture. This involves 'greening' traditional HR functions, such as implementing green recruitment and selection criteria, providing training on environmental awareness, and linking performance management and rewards to the achievement of environmental goals. This integration signals a commitment to corporate social responsibility and can enhance the employer brand.

Based on the above source, attempt the following five questions.

296. According to the passage, what is a primary HR challenge of international business?
(A) Managing an exclusively domestic workforce.
(B) Dealing with uniform cultural and legal systems.
(C) Reducing the number of employees in the organization.
(D) Navigating complexities across different national contexts.

297. The dilemma between standardizing HR practices globally and adapting them locally is a key strategic choice in:
(A) International HRM.
(B) Green HRM.
(C) Domestic HRM.
(D) Trade Unionism.

298. What is the definition of Green HRM as provided in the text?
(A) HR practices focused solely on the agricultural sector.
(B) Using HR policies to promote environmental sustainability.
(C) A system for managing employee leave and vacation time.
(D) The recruitment of employees for remote, rural locations.

299. Which of the following is an example of a Green HRM practice mentioned in the source?
(A) Offering the highest salaries in the industry.
(B) Linking rewards to the achievement of environmental goals.
(C) Providing health insurance to all employees.
(D) Managing the repatriation of expatriate employees.

300. The management of expatriates, including their selection, training, and repatriation, is a significant task within:
(A) International Human Resource Management.
(B) Collective Bargaining.
(C) Grievance Management.
(D) Organization Development.

www.nodia.in

NODIA

assessments. This clarity directly informs human resource development by highlighting existing skill gaps and guiding the design of targeted training programs, ultimately ensuring that employees are properly equipped to meet their professional responsibilities.

15. (A) (i), (ii), (iii), (iv)
Professional careers typically progress through a series of logical stages that reflect an individual's changing goals and responsibilities over time. The journey begins with exploration, where one investigates different roles, followed by establishment, where a person focuses on building a secure position. Maintenance involves protecting current achievements and mentoring others, while the final stage, decline, centers on preparing for retirement. Understanding these chronological phases allows both organizations and employees to plan for effective long-term professional development and transitions.

16. (B) Performance management is a strategic and integrated process, while performance appraisal is often a single, formal review.
Performance management is a comprehensive, ongoing process that aligns individual contributions with the broader strategic goals of the organization through continuous feedback and development. In contrast, performance appraisal is a specific component of this system, typically occurring as a periodic formal evaluation of past work. While appraisal focuses on measuring previous achievements, performance management is a proactive and integrated approach designed to improve future performance and foster long-term employee growth and organizational excellence.

17. (B) Total Quality Management (TQM)
Techno-structural interventions in organization development focus on improving organizational effectiveness by integrating technology and task methods with the formal structure of the firm. Total Quality Management is a classic example, as it involves a systematic approach to enhancing quality across all business processes through structural changes and employee participation. These interventions differ from purely social or behavioral methods by emphasizing the technical aspects of work and how they are organized to achieve superior operational results.

18. (A) Identifying and developing internal talent to fill key leadership positions in the future.
Succession planning is a proactive strategic process focused on ensuring leadership continuity within an organization by identifying and nurturing high-potential internal candidates. This involves a systematic approach to assessing the future leadership needs of the company and preparing individuals through targeted training, mentoring, and diverse work assignments. By building a robust internal talent pipeline, organizations can minimize the risks associated with sudden vacancies in critical roles and maintain organizational stability and long-term strategic focus.

19. (C) Employee burnout
A poor work-life balance occurs when the demands of a professional career consistently interfere with an individual's personal life and well-being. This imbalance often leads to chronic stress and physical exhaustion, eventually resulting in employee burnout. Burnout is characterized by emotional depletion, reduced productivity, and a sense of detachment from work. Unlike positive outcomes like high engagement or satisfaction, this state negatively impacts both the individual's health and the organization's overall operational efficiency and retention rates.

20. (D) Any feeling of discontent or injustice, whether expressed or not, related to one's employment.
A grievance represents a foundational concept in industrial relations, referring to any dissatisfaction or feeling of unfairness an employee experiences regarding their employment situation. This can stem from issues such as working conditions, wage disputes, or perceived violations of company policy. Importantly, a grievance can exist even if it is not formally communicated. Addressing these feelings through structured procedures is essential for preventing them from escalating into more serious collective disputes or labor conflicts within the firm.

21. (A) P-3, Q-1, R-4, S-2
Industrial relations involve various bargaining styles tailored to specific economic circumstances and goals. Distributive bargaining focuses on dividing fixed resources where one side's gain is the other's loss, while integrative bargaining seeks mutual benefits through problem-solving.

Click Here to Buy book on Amazon

employees are not merely satisfied with their jobs; they are deeply involved in their tasks and enthusiastic about contributing to the company's success. High levels of engagement are strategically important because they consistently result in increased individual productivity, improved service quality, and significantly lower rates of employee turnover and absenteeism.

8. (A) Employee promotion
Industrial disputes arise from disagreements between employers and employees regarding employment terms, working conditions, or labor rights. Common forms of industrial action include strikes, where workers stop working, and lockouts, where employers close the workplace. Lay-offs also reflect economic or operational conflicts. However, an employee promotion is a standard administrative advancement within a career hierarchy and does not constitute a form of collective industrial dispute or work-related conflict.

9. (C) To negotiate the terms and conditions of employment between management and a union.
Collective bargaining serves as the primary mechanism for establishing a balanced relationship between labor and management through joint negotiation. This bipartite process allows workers, represented by their union, to discuss critical employment aspects such as wages, working hours, and safety standards with their employers. By reaching mutually acceptable agreements, both parties can prevent individual exploitation and minimize industrial conflict, thereby ensuring a stable and predictable environment for both the workforce and organization.

10. (A) Ethnocentric approach
An ethnocentric staffing policy is characterized by the belief that the home country's management practices and personnel are superior to those in foreign locations. This leads organizations to place parent-country nationals in critical leadership positions at their international subsidiaries to maintain control and ensure consistency with the headquarters' culture. While this facilitates communication with the home office, it often ignores local cultural nuances and may limit the career advancement opportunities for host-country employees.

11. (D) The use of HR policies and practices to promote sustainable use of resources and environmental consciousness within an organization.
Green human resource management involves integrating environmental sustainability goals into traditional HR functions such as recruitment, training, and performance management. This approach aims to create a corporate culture that values ecological preservation and encourages employees to adopt eco-friendly behaviors. By fostering environmental consciousness, organizations not only contribute to global sustainability efforts but also improve their corporate image, reduce resource waste, and attract talent that values social responsibility.

12. (B) Strategic Human Resource Management
When an HR department aligns its policies with the core business objectives, such as driving market innovation, it is practicing strategic human resource management. This approach views employees as vital assets that must be managed in a way that directly supports the company's competitive strategy. Unlike routine administrative work, this strategic function involves long-term planning and the intentional design of HR systems to ensure the workforce possesses the specific capabilities needed to achieve excellence.

13. (C) Employee training hours and competency development.
Within the balanced scorecard framework, the learning and growth perspective focuses on the internal capabilities and human capital required to drive long-term success. In an HR context, this involves measuring activities that enhance the skills, knowledge, and abilities of the workforce. Metrics such as total training hours and the progress of competency development programs are essential indicators of how well the organization is preparing its people to innovate and improve organizational processes.

14. (A) Both A and R are true and R is the correct explanation of A.
Competency mapping is a fundamental HR tool used to define the specific knowledge, skills, and behavioral attributes necessary for excellence in a particular role. By identifying these requirements, organizations create a standardized benchmark that allows for more objective performance

Downloaded from www.pdf.tube

ANSWERS

1. (B) Aligning human resource policies and practices with the organization's strategic goals and objectives.
Strategic human resource management represents a shift from traditional administrative tasks to a proactive partnership where people management directly supports long-term business aims. This approach ensures that every HR initiative, from recruitment to compensation, contributes to the overall competitive advantage and success of the firm. By integrating human capital strategies with corporate planning, organizations can better respond to market changes and internal needs effectively.

2. (A) Financial, Customer, Internal Business Processes, and Learning and Growth.
The balanced scorecard framework provides a comprehensive view of organizational health by moving beyond traditional financial metrics alone. It evaluates success through four distinct yet interconnected lenses that include financial stability, customer satisfaction, the efficiency of internal operations, and the continuous development of human capital. This holistic method allows managers to monitor current performance while simultaneously investing in the future capabilities required for long-term growth and strategic sustainability.

3. (D) Statement I is incorrect, but Statement II is correct.
Career planning is a collaborative process where individuals must take primary responsibility for their own professional path rather than remaining passive. While organizations provide the necessary framework and support systems, the employee actively identifies personal goals and interests. Career development encompasses the combined efforts of both the worker and the employer to harmonize personal aspirations with organizational opportunities, ensuring growth, motivation, and the successful attainment of long-term career objectives.

4. (D) Halo Effect
The halo effect occurs when a rater allows a single positive attribute of an employee to color their entire assessment of that individual. In such cases, specific strengths like punctuality or a cheerful attitude lead the evaluator to provide high scores across unrelated performance dimensions. This cognitive bias prevents an accurate and objective appraisal of a worker's actual skills and weaknesses, potentially leading to skewed performance data and ineffective talent management.

5. (C) Job Redesign
Structural interventions in organization development focus on modifying the formal systems and physical arrangements of work to enhance overall effectiveness. Job redesign is a primary example, as it involves altering the tasks, responsibilities, and workflows to make positions more engaging and productive for employees. Unlike behavioral interventions that target interpersonal dynamics, these changes modify the actual structure of roles and the organization to facilitate improved performance and higher employee satisfaction.

NODIA

6. (B) It involves the systematic attraction, identification, development, engagement, and retention of high-potential employees.
Talent management is a comprehensive and strategic process designed to ensure that an organization has a continuous supply of high-performing individuals in critical roles. It goes beyond simple recruitment by focusing on the entire lifecycle of an employee, including their professional growth, motivation, and long-term commitment to the firm. By identifying and nurturing individuals with significant potential, businesses can build a sustainable competitive advantage and prepare for future leadership needs.

7. (A) Both Statement I and Statement II are correct.
Employee engagement refers to the emotional and intellectual commitment an individual has toward their work and organization. Engaged

Productivity bargaining links wage increases directly to improved output efficiency, whereas concessionary bargaining involves unions surrendering certain benefits to preserve job security during difficult times. These diverse approaches help manage the complex relationship between labor and management in a changing market.

22. (B) Geocentric
A geocentric staffing approach is characterized by selecting the best-qualified candidates for key international positions regardless of their nationality. By appointing a German citizen to manage a Japanese subsidiary for a U.S. company, the firm demonstrates a global mindset that prioritizes competence and expertise over national origin. This strategy helps build a diverse, international leadership team and facilitates the sharing of knowledge and best practices across different regions, ultimately strengthening the organization's overall global corporate culture.

23. (D) Setting and rewarding employees for achieving environmental goals.
Green performance management integrates an organization's environmental sustainability objectives into the formal employee appraisal system. This practice involves establishing specific, measurable ecological targets for staff and evaluating their performance based on their contribution to these goals. By linking rewards and recognition to environmental achievements, companies encourage a workforce culture that prioritizes resource efficiency and sustainability. This strategic alignment ensures that every employee's daily actions contribute to the organization's broader commitment to environmental responsibility and corporate social ethics.

24. (B) (ii) and (iv) only
The balanced scorecard is a strategic management tool that translates an organization's vision into specific operational measures across multiple perspectives. It emphasizes that while financial results are important, they must be supported by excellence in internal business processes and continuous learning and growth. Specifically, the internal perspective identifies the critical activities the firm must master to deliver value, while the entire framework serves to communicate strategy and align individual performance with the company's long-term objectives and goals.

25. (C) Central Tendency Error
Central tendency error occurs when an appraiser avoids giving very high or very low ratings, resulting in most employees being clustered around the middle of the scale. This often happens because the manager lacks sufficient information about employee performance or wishes to avoid the potential conflict associated with extreme evaluations. Unfortunately, this bias makes the appraisal process less effective, as it fails to distinguish between top performers and those who require significant improvement or additional training.

26. (A) Unfreezing, Changing, Refreezing
Lewin's three-stage model of organizational change provides a structured framework for managing transitions effectively. The first stage, unfreezing, involves creating awareness and motivation for change by challenging the status quo. The second stage, changing, is the actual movement toward new behaviors, processes, or structures. Finally, refreezing stabilizes the organization at the new level, ensuring that the changes become permanent. This systematic approach helps leaders navigate the psychological and operational challenges inherent in any major organizational transformation.

27. (D) Statement I is incorrect, but Statement II is correct.
Talent management is a proactive, continuous process aimed at identifying and nurturing human capital before vacancies occur, making it far more strategic than simple reactive recruitment. Within this framework, skill development is focused on providing the specific abilities needed for a current job, while development is a broader concept centered on preparing employees for future leadership and more complex roles. This distinction ensures that the organization maintains a versatile workforce capable of meeting both current and future challenges.

28. (B) A highly rigid and bureaucratic organizational structure
Employee engagement is primarily driven by factors that foster a sense of autonomy, trust, and

Click Here to Buy book on Amazon

professional growth within the workplace. While opportunities for development and meaningful work enhance an individual's commitment, a highly rigid and bureaucratic organizational structure typically acts as a significant barrier. Such environments often stifle innovation, limit personal initiative, and create a sense of detachment. Consequently, overly restrictive hierarchies are more likely to decrease engagement levels rather than promote the enthusiasm and dedication needed for success.

29. (C) Give protection to workers against contingencies like sickness, unemployment, and old age.
Social security in the labor context refers to a set of measures designed to protect workers and their families against various economic and social risks. These programs provide essential financial support during periods of sickness, disability, unemployment, or old age when an individual's earning capacity is compromised. By ensuring a basic level of income and healthcare, social security contributes to the overall well-being and stability of the workforce, fostering a more secure and motivated labor environment.

30. (D) It may lead to a lack of understanding of the local culture and business environment.
An ethnocentric staffing policy, which relies on parent-country nationals to manage foreign subsidiaries, often creates a significant disconnect between the organization and its local environment. Because these managers may lack deep familiarity with the host country's cultural nuances, languages, and specific business practices, the subsidiary may struggle to integrate effectively into the local market. This lack of cultural intelligence can lead to poor decision-making, strained relations with local employees, and missed opportunities within the host nation's unique economic landscape.

31. (A) Green HRM
Implementing a paperless onboarding process is a characteristic practice of green human resource management, which aims to reduce the environmental impact of HR activities. By transitioning from traditional paper-based documentation to digital platforms, the organization significantly lowers its resource consumption and waste generation. This initiative not only improves administrative efficiency and data security but also demonstrates the company's commitment to environmental sustainability, helping to foster an eco-friendly corporate culture among new hires and existing staff alike.

32. (B) An underlying characteristic of a person which results in effective or superior performance in a job.
In human resource management, a competency is defined as a cluster of related knowledge, skills, and behavioral traits that enable an individual to perform a job effectively. Unlike academic qualifications or mere years of experience, a competency focuses on how these attributes are practically applied to achieve superior results in a professional setting. Identifying and mapping these core characteristics allows organizations to better align their talent with specific role requirements, guiding recruitment, performance appraisal, and targeted development efforts.

33. (A) Both A and R are true and R is the correct explanation of A.
Career planning is a critical strategic activity for retaining top talent because it addresses an employee's fundamental need for professional growth and future security. When an organization provides clear pathways for advancement and invests in the development of its staff, employees feel valued and are more likely to remain committed. This sense of progress motivates individuals to perform at higher levels and reduces the likelihood of them seeking opportunities elsewhere, thereby ensuring long-term organizational stability and success.

34. (A) The employee, their peers, supervisors, subordinates, and sometimes customers.
The 360-degree appraisal method provides a comprehensive view of an employee's performance by gathering feedback from multiple sources across the organizational hierarchy. This multi-rater system typically includes evaluations from supervisors, colleagues, subordinates, and even external clients, in addition to a self-assessment by the employee. By incorporating diverse perspectives, this approach offers a more holistic and objective understanding of an individual's strengths and developmental needs, facilitating better self-awareness and more

NODIA

effective long-term professional growth and performance improvement.

35. (C) OD interventions are always short-term and focused on solving immediate crises.
Organization development is a planned, systematic approach to improving organizational effectiveness and health over the long term. Unlike crisis management, which addresses immediate problems, OD interventions are proactive and designed to facilitate deep-seated changes in culture, processes, and strategies. By utilizing behavioral science knowledge, OD aims to enhance the organization's overall capacity for self-renewal and adaptation. This comprehensive effort requires commitment from top leadership and focuses on building sustainable performance rather than providing quick, temporary solutions.

36. (B) (i), (ii), (iii), and (iv) only
A strategic human resource management approach is characterized by the deliberate alignment of people management practices with the organization's broader business goals. This includes using tools like the balanced scorecard for performance measurement and competency mapping to ensure a high-quality talent pool. By acting as a strategic partner, HR shifts its focus from routine administrative tasks to long-term value creation and organizational excellence. These activities collectively ensure that the workforce is a primary driver of the firm's sustained competitive advantage.

37. (C) Help employees manage the demands of their professional and personal lives effectively.
The primary objective of work-life balance programs is to foster an environment where employees can successfully harmonize their career responsibilities with their personal and family needs. By offering flexible working arrangements, such as telecommuting or adjustable hours, organizations help reduce employee stress and prevent burnout. These initiatives lead to higher job satisfaction, increased morale, and improved retention rates. Ultimately, a healthy work-life balance benefits both the individual and the organization by creating a more focused, energized, and loyal workforce.

38. (B) Adjudication
Adjudication represents the ultimate legal stage in the settlement of industrial disputes when voluntary methods like conciliation and mediation fail to resolve the conflict. In this process, the government refers the matter to a labor court or tribunal for a formal hearing. The resulting decision, known as an award, is legally binding on all parties involved. This structured approach ensures that disputes are resolved through the judicial system to maintain industrial peace and economic stability within the national industry.

39. (D) An agreement where the employer deducts union dues from members' wages and pays them to the union.
The check-off system is a formal arrangement between a trade union and an employer designed to streamline the collection of union membership fees. Under this agreement, the employer automatically deducts the required dues from the employees' wages and transfers the total amount directly to the union's accounts. This system provides the union with a stable and predictable source of financial resources while reducing the administrative burden of manual collections. It often serves as a sign of recognition and cooperation.

40. (A) An employee who is not a citizen of either the parent or the host country.
In the field of international human resource management, staffing strategies often utilize talent from various geographic regions to optimize efficiency and global expertise. A third-country national is a professional who works in a foreign subsidiary but is not a citizen of the host nation or the parent company's home country. Hiring such individuals allows global firms to leverage specialized skills and diverse perspectives that may not be available within the existing domestic or local labor markets of the subsidiary.

41. (C) Guaranteed increase in quarterly profits.
Implementing green human resource management offers numerous strategic advantages, such as an enhanced corporate reputation, improved employee engagement, and significant cost savings through resource efficiency. These practices contribute to long-term organizational health and sustainability.

Downloaded from www.pdf.tube

However, environmental initiatives do not provide a guaranteed or direct increase in short-term quarterly profits. Financial performance is influenced by a wide range of market factors, and while green HRM supports overall efficiency, its primary focus remains on ecological responsibility and long-term corporate value creation.

42. (A) Balanced Scorecard - Focus only on financial metrics
The balanced scorecard is fundamentally designed to provide a multi-dimensional view of organizational performance, moving far beyond traditional financial metrics. It incorporates three additional perspectives: customer satisfaction, internal business processes, and learning and growth. In contrast, strategic human resource management aligns HR with business goals, competency mapping identifies necessary skills, and talent management focuses on attracting and retaining key employees. Therefore, describing the balanced scorecard as focusing only on financial indicators is an inaccurate representation of its core strategic purpose.

43. (D) Reaches a position from which further advancement is unlikely or slow.
A career plateau occurs when an employee reaches a point in their professional journey where the likelihood of further vertical promotion or significant increase in responsibility is minimal. This situation can arise from organizational downsizing, limited upward opportunities, or the individual reaching their peak performance level. While it may lead to demotivation, organizations can address plateaus through job enrichment, lateral transfers, or mentoring roles. Managing these plateaus is essential for maintaining employee engagement and preventing stagnation within the workforce.

44. (B) Behaviorally Anchored Rating Scales (BARS)
Behaviorally anchored rating scales represent a sophisticated method of performance appraisal that combines the benefits of narratives and quantified ratings. This approach evaluates employees based on specific, observable behavioral examples that define different levels of performance on a scale. By using these critical incidents as benchmarks, BARS provides a more objective and accurate assessment compared to general trait-based methods. This clarity helps managers give constructive feedback and assists employees in understanding the exact behaviors required for professional success and advancement.

45. (A) (i), (ii), (iii), (iv)
The action research model is a fundamental process in organization development that emphasizes a collaborative and cyclical approach to change. It begins with data gathering and initial diagnosis to understand the problem, followed by sharing this feedback with the client group. Together, they engage in joint action planning to implement solutions, and the cycle concludes with collecting further data to evaluate the results. This evidence-based method ensures that organizational changes are relevant, sustainable, and supported by those actually involved.

46. (D) Succession Planning and Talent Review
The 9-box grid is a strategic talent management tool used to evaluate an organization's workforce based on two primary dimensions: individual performance and future potential. By plotting employees on this grid, managers can easily identify high-potential candidates for leadership development and succession planning. This visual framework facilitates objective discussions about talent, helps in allocating development resources effectively, and ensures that the organization is prepared to fill critical leadership roles with the most capable and ready individuals in the future.

47. (A) Work-life balance.
Policies such as telecommuting and flextime are specifically designed to provide employees with greater control over how and where they perform their work duties. By allowing staff to adjust their schedules or work from remote locations, organizations help them better manage the competing demands of their professional and personal lives. These flexible arrangements are primary drivers of improved work-life balance, which leads to reduced stress, higher levels of job satisfaction, and increased long-term commitment and loyalty to the firm.

48. (B) P-3, Q-1, R-4, S-2
Labour welfare is comprised of various initiatives that enhance the well-being of the workforce. Statutory welfare includes legally mandated facilities like canteens, while voluntary welfare

NODIA

refers to employer-provided benefits beyond legal requirements, such as medical aid. Mutual welfare involves activities undertaken jointly by workers, and social security provides essential protection against economic contingencies like old age through provident funds. Together, these different forms of welfare ensure a comprehensive support system that promotes a healthy, secure, and motivated industrial workforce.

49. (B) Interest-based bargaining
Integrative bargaining, often referred to as interest-based or win-win bargaining, is a collaborative negotiation strategy where both parties work together to find solutions that satisfy their respective needs. Unlike distributive bargaining, which focuses on dividing a fixed amount of resources, this approach emphasizes mutual gains and the expansion of the "pie." By focusing on underlying interests rather than rigid positions, integrative bargaining helps build stronger long-term relationships and leads to more sustainable and creative agreements between labor and management.

50. (A) Ethnocentric, Polycentric, Regiocentric, Geocentric
The EPRG framework describes the different strategic orientations an organization can adopt when managing its international operations and human resources. An ethnocentric approach centers on the home country, while polycentric focuses on the host country's uniqueness. Regiocentric strategies organize activities around specific geographic regions, and geocentric orientations seek to integrate global talent regardless of nationality. Understanding these frameworks helps international firms choose the most appropriate staffing and management policies to balance global integration with local responsiveness across diverse markets.

51. (C) High initial implementation costs and resistance to change
Implementing green human resource management initiatives often presents significant organizational challenges, including the high upfront costs associated with new technologies and sustainable infrastructure. Furthermore, organizations frequently encounter resistance to change from employees and managers who are accustomed to traditional ways of working. Overcoming these barriers requires strong leadership commitment, clear communication of the long-term benefits of sustainability, and a culture that encourages innovation. Successful implementation depends on balancing short-term financial pressures with the long-term strategic value of environmental responsibility.

52. (D) A partner in strategy formulation and implementation.
In the modern business environment, the human resource function has evolved from a traditional administrative cost center into a vital strategic partner. This perspective emphasizes that HR should actively participate in shaping the organization's overall direction and ensuring that the workforce is capable of executing business plans. By aligning people management with corporate goals, HR professionals contribute directly to organizational success, focusing on long-term value creation, human capital development, and the achievement of a sustainable competitive advantage in the marketplace.

53. (C) (i), (ii), and (iii) only
Competencies are dynamic clusters of knowledge, skills, and behaviors that drive effective performance within an organization. Core competencies provide a unique competitive advantage for the firm, while functional competencies are tailored to specific job roles or departments. Behavioral competencies describe the attitudes and interpersonal traits necessary for success. Importantly, competencies are not static; they must evolve as the business environment and organizational goals change. Mapping these attributes helps in designing targeted development programs and ensures the workforce remains versatile and capable.

54. (B) Job rotation
Job rotation is a developmental technique where employees are systematically moved through various assignments in different departments or functional areas of the organization. This practice is particularly effective for mid-career professionals facing stagnation, as it helps broaden their skill sets, provides a wider perspective on the business, and prevents boredom. By exposing individuals to diverse challenges and work environments, job rotation

Click Here to Buy book on Amazon

enhances their versatility and prepares them for higher-level leadership roles while increasing overall organizational flexibility and knowledge sharing.

55. (A) Both A and R are true and R is the correct explanation of A.
The 360-degree feedback system is a powerful developmental tool because it provides employees with a holistic perspective on their performance and professional conduct. By collecting insights from various stakeholders—including supervisors, peers, and subordinates—the organization creates a more comprehensive and objective assessment than a traditional single-source appraisal. This multi-source feedback helps individuals identify blind spots, understand their impact on others, and focus their development efforts on the specific areas that will most significantly improve their professional effectiveness and growth.

56. (A) Interpersonal skills and self-awareness
Sensitivity training, often conducted through T-groups, is an organization development intervention designed to enhance individuals' self-awareness and interpersonal effectiveness. These sessions provide an unstructured environment where participants can observe their own behaviors and receive honest feedback from others. The primary goal is to help employees understand how their actions influence group dynamics and to improve their communication and empathy. By fostering better interpersonal relationships, sensitivity training contributes to a more collaborative and healthy organizational culture characterized by trust and openness.

57. (C) Talent Management
Talent management is a holistic and strategic approach to managing the entire employee lifecycle, from initial attraction and recruitment to continuous development and long-term retention. This process ensures that an organization consistently has the right individuals with the necessary skills in critical roles to achieve its business objectives. By focusing on identifying high-potential employees and nurturing their growth, talent management helps build a sustainable human capital advantage, preparing the organization to navigate future challenges and maintain its competitive market position.

58. (B) Both Statement I and Statement II are incorrect.
Achieving a healthy work-life balance is an ongoing, dynamic process rather than a one-time event, as the needs of both the employee and the organization shift over time. Similarly, employee engagement is a complex psychological state driven by factors such as trust, meaningful work, and growth opportunities, rather than just monetary compensation. While fair pay is essential for satisfaction, it does not guarantee the high level of emotional commitment and enthusiasm that characterizes truly engaged and dedicated workers.

NODIA

59. (D) Labour Court, Industrial Tribunal, and National Tribunal
The formal legal machinery for settling industrial disputes in India is structured into a three-tier system of adjudication. This hierarchy includes labor courts, which handle matters related to the rights of individual workers and specific standing orders. Industrial tribunals address broader collective issues like wages and working conditions. Finally, national tribunals are established for disputes involving matters of national importance or multiple states. This structured judicial approach ensures that conflicts are resolved fairly and consistently to maintain overall industrial peace.

60. (B) Only members of a specific union can be hired.
A closed shop agreement is a labor arrangement where the employer agrees to hire only individuals who are already members of a specific trade union. This system ensures that the union maintains significant control over the labor supply and provides strong collective bargaining power. While it guarantees a high degree of union security and solidarity, it also limits the employer's flexibility in hiring and restricts individual workers' freedom of choice regarding union membership. Such agreements are often subject to specific national labor regulations.

61. (C) Managing cultural diversity and expatriate adjustment.
In the context of international business, managing human resources involves navigating complex cultural differences and ensuring that employees can work effectively in diverse

environments. A primary challenge is managing cultural diversity and facilitating the successful adjustment of expatriates to their host countries. Failure to adapt can lead to poor performance and high costs for the organization. HR departments must focus on providing cross-cultural training and support to help employees overcome culture shock and build productive relationships across different geographic regions.

62. (D) Green Compensation
Green compensation is a strategic HR practice that involves linking an employee's financial rewards and bonuses to the achievement of environmental sustainability targets. By incorporating ecological metrics into the compensation system, the organization provides a clear incentive for staff to adopt eco-friendly behaviors and innovate for resource efficiency. This approach ensures that employees are motivated to contribute directly to the company's green goals, reinforcing a corporate culture that values environmental responsibility alongside traditional financial performance and operational excellence.

63. (A) Ulrich's HR Model
Ulrich's HR model redefined the human resource function by identifying four essential roles that contribute to organizational success. These roles include acting as a strategic partner to align HR with business goals, a change agent to manage transformation, an administrative expert to deliver efficient services, and an employee champion to support the workforce. This comprehensive framework helps HR departments transition from traditional administrative silos into integrated business units that provide tangible value to the entire modern organization and its stakeholders.

64. (B) Negotiation and persuasion skills.
A behavioral competency refers to the specific interpersonal skills and attitudes that enable an individual to perform their job effectively. For a sales team, negotiation and persuasion are critical behavioral competencies because they describe 'how' the employee interacts with clients to achieve sales goals. Unlike technical knowledge or academic degrees, these competencies focus on observable behaviors that lead to successful outcomes. Mapping these traits allows organizations to select and develop staff who possess the specific personality profile required for professional excellence.

65. (B) Mentoring
Mentoring is a developmental relationship where a more experienced professional provides guidance, advice, and support to a less experienced colleague to help them navigate their career journey. This process focuses on long-term professional growth, career mapping, and the transfer of organizational knowledge and wisdom. Unlike specific task-oriented training, mentoring addresses broader professional goals and personal development. By fostering these relationships, organizations can enhance employee engagement, facilitate knowledge sharing, and build a stronger leadership pipeline for the future success of the firm.

66. (A) A method that requires the rater to distribute ratings into a pre-specified bell curve.
Forced distribution is a performance appraisal method where managers must assign employees into pre-determined categories following a specific percentage distribution, often resembling a normal bell curve. This system is designed to prevent appraisal errors like leniency or central tendency by forcing evaluators to differentiate between top, average, and poor performers. While it ensures clear rankings, it can sometimes be perceived as unfair or demotivating in high-performing teams where most individuals exceed expectations, potentially leading to increased competition and lower morale.

67. (C) To increase the division and separation between departments.
Organization development aims to improve overall organizational effectiveness by fostering a culture of collaboration, trust, and continuous renewal. Its primary goals include enhancing the organization's ability to adapt to environmental changes and improving problem-solving processes within work groups. Rather than increasing the division between departments, OD interventions focus on breaking down silos and improving intergroup communication and cooperation. By creating a more integrated and flexible organization, OD helps ensure long-term health, sustainability, and superior performance in a competitive market.

NODIA

81. (B) A cessation of work by a body of persons employed in any industry acting in combination.
A strike is a collective form of industrial action where employees deliberately stop working to pressure their employer to meet specific demands or address grievances. This concerted cessation of work is a fundamental tool in labor relations, allowing workers to express their dissatisfaction regarding wages, benefits, or working conditions. While strikes are often a last resort after negotiations fail, they are a significant indicator of industrial conflict and require structured legal procedures to manage their impact on both the industry and society.

82. (A) Management makes a "first, last, and final" offer and refuses to negotiate further.
Boulwarism is a controversial collective bargaining strategy where management presents a "take-it-or-leave-it" offer at the very beginning of negotiations. Named after GE executive Lemuel Boulware, this approach involves conducting extensive research to determine a fair offer and then refusing to make any significant concessions during subsequent discussions. While it aims to demonstrate management's firmness and research-based fairness, it is often criticized for bypassing the traditional spirit of compromise and can lead to accusations of bad-faith bargaining in labor relations.

83. (C) Expatriates working in a foreign country.
Culture shock is a psychological phenomenon experienced by individuals who are suddenly exposed to an unfamiliar cultural environment. In the business context, it most commonly affects expatriates working on international assignments. This disorientation results from the loss of familiar social cues and the challenge of navigating different languages, customs, and business practices. If not managed through effective pre-departure training and ongoing support, culture shock can lead to decreased productivity, personal stress, and ultimately the failure of the international assignment for the organization.

84. (D) Ability, Motivation, Opportunity
The AMO framework is a central theory in green human resource management, suggesting that organizational performance is a function of employees' ability, motivation, and opportunity to contribute to sustainability goals. Organizations implement this by providing green training to enhance skills, using incentives to motivate eco-friendly behaviors, and creating opportunities for involvement in environmental initiatives. By addressing these three dimensions, firms can effectively foster a green corporate culture where the workforce is both capable and encouraged to drive environmental responsibility and overall organizational success.

85. (C) Payroll Processor
The strategic role of human resource management focuses on activities that directly contribute to organizational value and competitive advantage. Key strategic roles include serving as a human capital steward, a knowledge facilitator, and a relationship builder within the firm. In contrast, payroll processing is a routine administrative function that, while essential, does not involve the long-term planning or organizational transformation characteristic of strategic HR. Modern HR departments strive to automate these administrative tasks to focus on higher-level strategic partnerships and organizational development.

86. (B) (i), (iii) and (iv) only
Competency mapping is a dynamic and essential HR process used to identify the specific knowledge and behaviors required for excellence in various organizational roles. It serves as a foundation for performance management, career planning, and the design of targeted training programs. By highlighting gaps between an employee's current skills and the required benchmarks, mapping allows for more effective talent development. Unlike a one-time activity, competency frameworks must be regularly updated to reflect changes in the business environment and evolving organizational strategic priorities.

87. (D) Total Work-Life Balance
Career anchors are the core values and motives that guide an individual's professional decisions and define their sense of career success. Common anchors identified by Edgar Schein include technical/functional competence, managerial competence, and autonomy/independence. While work-life balance is a significant concern for many modern professionals, it was not originally classified as a primary career

Downloaded from www.pdf.tube

core business leadership role. In this capacity, HR professionals work closely with senior management to align people strategies with the organization's long-term objectives. This involves participating in strategic planning, identifying the human capital needed for success, and designing HR systems that drive innovation and competitive advantage. By integrating HR with business operations, the organization can better leverage its workforce to achieve excellence.

75. (A) Both A and R are true and R is the correct explanation of A.
The balanced scorecard is a superior management tool because it provides a holistic view of organizational health, moving beyond traditional financial metrics which often only report on past results. By incorporating additional perspectives—including customer satisfaction, internal process efficiency, and employee learning and growth—the framework allows leaders to monitor the drivers of future success. This comprehensive approach links every operational measure directly to the broader organizational strategy, ensuring that all departments are aligned and working toward the same long-term goals.

76. (B) A fundamental driver of a person's career choices, such as autonomy or security.
A career anchor is a self-perceived internal concept that represents an individual's core values, motives, and talents regarding their professional life. Developed by Edgar Schein, this concept suggests that people are guided by specific drivers, such as a need for technical competence, autonomy, or stability, which they will not give up when making difficult career decisions. Identifying these anchors helps employees make more satisfying career choices and allows organizations to align their talent management strategies with the fundamental motivations of their workforce.

77. (C) Management by Objectives (MBO)
Management by Objectives is a proactive and future-oriented performance appraisal method that emphasizes the joint setting of goals between managers and employees. Unlike traditional methods that focus primarily on evaluating past behaviors, MBO focuses on achieving specific, measurable results within a defined future period. This participative approach encourages employee commitment, improves role clarity, and aligns individual efforts with the broader strategic objectives of the organization. By focusing on future performance and outcomes, MBO serves as a powerful tool for motivation and growth.

78. (D) A cyclical process of diagnosing a problem, collecting data, taking action, and evaluating results.
The action research model is a cornerstone of organization development, characterized by a continuous, evidence-based cycle of change. This process begins with a thorough diagnosis of a specific organizational problem, followed by systematic data collection and analysis. Based on these findings, an action plan is implemented, and the results are then evaluated to determine their effectiveness. This cyclical approach ensures that interventions are tailored to the organization's unique needs and that the change process is one of continuous learning and improvement.

79. (B) (ii), (iv), (i), (iii)
A typical talent management process follows a logical sequence designed to build and maintain a high-quality workforce. It begins with attracting and recruiting candidates to build a talent pool, followed by assessing and selecting the most qualified individuals. Once hired, the focus shifts to developing and training employees to enhance their skills and prepare them for future roles. Finally, the process emphasizes retaining and engaging talent through motivation and rewards to ensure their long-term commitment and contribution to the organization's success.

80. (D) Statement I is incorrect, but Statement II is correct.
Employee engagement and job satisfaction are distinct psychological concepts, although they are often used interchangeably. While satisfaction refers to how happy an employee is with their work conditions and pay, engagement describes a deeper level of emotional commitment and enthusiasm for the job itself. An employee may be satisfied because their work is easy and well-paid but still lack the motivation to go above and beyond. Truly engaged employees are those who are fully absorbed in and dedicated to achieving excellence.

NODIA

106. (B) SHRM is reactive and only responds to problems as they arise.
Strategic human resource management is fundamentally characterized by its proactive and future-oriented approach to people management. Unlike traditional personnel management, which is often reactive and focused on day-to-day administrative problems, SHRM emphasizes the long-term integration of HR policies with the organization's strategic business goals. This perspective views employees as essential strategic assets that drive competitive advantage. By planning for future talent needs and aligning HR systems with the firm's vision, SHRM helps the organization adapt to changing markets and achieve sustainable excellence.

107. (C) (i), (iii) and (iv) only
The balanced scorecard is a multi-dimensional strategic tool that helps organizations move beyond purely financial measures of performance. By incorporating non-financial perspectives—such as customer satisfaction, internal process efficiency, and employee learning—the framework provides a more comprehensive view of organizational health. It explicitly links these measures to the firm's long-term strategic objectives, facilitating better communication of goals throughout the entire organization. This alignment ensures that every department and individual understands their role in driving the company's success, making the BSC an essential tool for modern strategic management.

108. (C) Enrolling a high-potential manager in a leadership program to prepare for future roles.
While training focuses on imparting the specific skills needed to perform a current job effectively, development is a broader and more future-oriented process. Enrolling a high-potential employee in a leadership program is a classic developmental activity because it aims to prepare them for more complex future roles and responsibilities. These initiatives focus on building long-term capabilities, personal growth, and strategic thinking rather than immediate task proficiency. By investing in development, organizations ensure they have a versatile talent pipeline ready to meet the leadership challenges of tomorrow.

109. (C) Personal Bias / Stereotyping
Personal bias or stereotyping occurs in performance appraisal when an evaluator allows their own prejudices—whether based on gender, religion, national origin, or other characteristics—to influence an employee's rating. This error significantly compromises the fairness and objectivity of the appraisal process, leading to inaccurate performance data and potential legal challenges. Organizations must implement rigorous training for appraisers and use standardized, behavior-based evaluation criteria to mitigate these biases. Ensuring an objective appraisal system is essential for maintaining employee trust and fostering a diverse and inclusive workplace culture.

110. (A) Both A and R are true and R is the correct explanation of A.
Organizational change frequently encounters resistance because it disrupts the established status quo and creates uncertainty for the workforce. Employees may fear that new processes or structures will lead to job losses, a reduction in their status, or the loss of important social connections within the workplace. This psychological reaction is a natural response to the perceived risks of the unknown. To manage change successfully, leaders must communicate effectively, involve employees in the process, and provide the necessary support to address these underlying concerns and motivations.

111. (B) To identify the difference between the skills required for a job and the actual skills possessed by employees.
A skill gap analysis is a systematic process used to identify the disparity between the skills and competencies required for organizational success and the current capabilities of the workforce. By pinpointing these gaps, HR departments can design more effective recruitment strategies and targeted training and development programs. This analysis ensures that the organization is properly equipped to meet its strategic goals and adapt to technological or market changes. Regularly conducting skill gap assessments is essential for maintaining a high-performing and competitive human capital base.

Click Here to Buy book on Amazon

anchor in the same way as the others. These anchors represent the fundamental drivers that individuals are unwilling to sacrifice when faced with difficult choices about their career direction and growth.

88. (A) Focuses on the most recent behavior of the employee, ignoring performance over the entire period.
The recency effect is a common performance appraisal error where an evaluator gives undue weight to an employee's most recent actions, whether positive or negative. This bias occurs because recent events are more easily remembered than those from the beginning of the evaluation period. Consequently, the appraisal fails to provide an accurate reflection of the individual's overall performance throughout the entire year. To mitigate this error, managers should maintain consistent performance logs and documentation to ensure a fair and comprehensive assessment of the employee.

89. (C) Intergroup Development
Intergroup development is an organization development intervention specifically designed to improve the relationship and collaboration between different departments or teams. By facilitating workshops that focus on role clarification, mutual goals, and conflict resolution, the organization helps reduce friction and improve overall operational efficiency. This approach is particularly useful when teams like production and quality control must work closely together to achieve organizational excellence. By fostering a culture of cooperation and open communication, intergroup development enhances the organization's collective ability to solve complex problems effectively.

90. (A) Skill development is for all employees, while talent development often targets high-potential employees.
Skill development and talent development are both essential but focus on different segments of the workforce and organizational needs. Skill development is typically inclusive, aiming to provide all employees with the specific abilities required to perform their current roles effectively. In contrast, talent development is more selective and strategic, focusing on high-potential individuals who are groomed for future leadership and critical positions. While both enhance organizational capability, talent development is specifically designed to build the leadership pipeline and ensure long-term strategic continuity.

91. (D) Providing regular, constructive feedback and recognition.
Enhancing employee engagement requires a management style that fosters trust, autonomy, and a sense of value within the workforce. Providing regular, constructive feedback and meaningful recognition is a primary driver of engagement because it helps employees understand their impact and feel appreciated for their contributions. In contrast, behaviors like micromanagement or setting unrealistic goals tend to undermine motivation and increase stress. By prioritizing open communication and acknowledging achievements, managers can build a dedicated and enthusiastic team committed to achieving organizational excellence and long-term goals.

NODIA

92. (B) The voluntary efforts of an employer to establish services and facilities that enable workers to have a better life.
Labour welfare refers to the various voluntary initiatives and facilities provided by an employer to improve the physical, mental, and social well-being of their workforce. These efforts go beyond mandatory legal requirements and the payment of wages, focusing on enhancing the overall quality of life for employees. Common examples include health services, recreational activities, and educational support. By investing in welfare, organizations foster a more satisfied, healthy, and loyal workforce, which ultimately contributes to higher productivity and a more stable industrial environment.

93. (C) To appoint and promote managers in the company.
Trade unions are primary organizations created to protect and promote the interests of workers within the industrial environment. Their core functions include negotiating wages and working conditions through collective bargaining, representing members in grievance procedures, and providing various welfare services. However, the appointment and promotion of managerial staff remain the exclusive prerogative of the

can better adapt to a dynamic and competitive market environment.

118. (C) It is a comprehensive list of defined competencies and their associated behavioral indicators for various roles.
A competency framework or dictionary serves as a foundational HR tool that defines the specific knowledge, skills, and behavioral traits required for success across different levels and roles within an organization. For each competency, it provides clear behavioral indicators that describe what effective performance looks like in practice. This framework ensures a common language for talent management, guiding recruitment, performance appraisal, and professional development. By providing a standardized benchmark, it helps align individual capabilities with the organization's strategic needs and fosters a culture of excellence and high performance.

119. (A) (iv), (ii), (i), (iii)
An individual's career typically progresses through several distinct stages, beginning with the pre-career or entry phase where they explore different paths. The establishment stage follows, focusing on securing a position and gaining initial competence. During the mid-career phase, professionals often seek to advance and maintain their standing while facing new challenges. Finally, the late-career stage involves preparing for retirement and transitioning away from full-time work. Understanding this chronological progression allows organizations to design more effective career management policies and support systems for their employees at every stage.

120. (B) Paired Comparison Method
The paired comparison method is a performance appraisal technique where every employee is compared directly with every other employee in the work group. For each pair, the manager determines who is the better performer, and the individual with the highest number of "wins" is ranked at the top. While this method provides a very clear and objective ranking, it can become extremely time-consuming and complex as the number of employees increases. Despite this drawback, it is an effective tool for differentiating performance in smaller teams and ensuring a rigorous evaluation process.

121. (C) Creating awareness and motivation for change by challenging existing beliefs and behaviors.
Unfreezing is the critical first stage in Lewin's model of organizational change, involving the preparation of the organization to accept a new direction. This phase requires leaders to challenge the existing status quo and create a sense of urgency or dissatisfaction with current methods. By communicating the need for change and addressing employees' concerns and resistance, the organization builds the necessary motivation for transformation. Successful unfreezing ensures that the workforce is psychologically ready to move away from old habits and embrace new ways of working and thinking.

122. (B) Creating talent pools and succession plans for critical roles in advance.
A proactive approach to talent management involves anticipating future organizational needs and preparing the workforce before vacancies actually arise. This is achieved by creating talent pools of high-potential employees and developing robust succession plans for critical leadership roles. By investing in the long-term growth of internal talent, organizations minimize the risks associated with sudden departures and ensure strategic continuity. This forward-thinking strategy contrasts with reactive methods, such as only recruiting when a position becomes open, and helps the firm maintain its competitive advantage through a consistently strong human capital base.

123. (A) Both Statement I and Statement II are correct.
Flexible working arrangements, such as flextime and telecommuting, are essential tools for helping employees balance their professional responsibilities with their personal lives. By providing staff with greater control over their schedules and work environments, organizations can significantly reduce work-related stress and prevent burnout. A positive work-life balance is strongly linked to higher job satisfaction and improved employee retention rates. Consequently, investing in flexible policies not only enhances individual well-being but also contributes to the organization's overall operational efficiency and long-term stability by fostering a more loyal and energized workforce.

Downloaded from www.pdf.tube

objective and useful assessments of professional performance and conduct.

100. (A) P-3, Q-1, R-4, S-2
Organization development involves various interventions tailored to different organizational needs. Human process interventions like team building focus on interpersonal dynamics, while techno-structural methods like job enrichment aim to improve work design. Strategic change interventions address broad issues like mergers and acquisitions to reposition the firm. Finally, human resource management interventions include formal systems like goal setting to align individual performance with organizational needs. Collectively, these diverse approaches help improve organizational effectiveness, health, and the overall capacity for sustainable growth and adaptation in a changing market.

101. (B) Human Resource Planning
Human resource planning is the strategic process of analyzing an organization's future needs to ensure the right number and type of people are available at the right time. This involves forecasting the demand for labor based on business goals and evaluating the current and future supply of talent. By identifying potential surpluses or shortages, HR planning allows the firm to take proactive steps like recruitment, training, or restructuring. This ensures that the organization has the necessary human capital to maintain its operational efficiency and achieve strategic objectives.

102. (B) Blending work and personal life in a way that works for the individual.
Work-life integration represents a modern alternative to the traditional concept of work-life balance, suggesting that professional and personal lives should be blended rather than strictly separated. This approach acknowledges that technology allows for greater flexibility, enabling individuals to manage their responsibilities in a way that suits their unique circumstances. Instead of seeking an equal division of time, integration focuses on achieving a harmonious synergy where work and personal activities complement each other. This flexibility can lead to higher satisfaction, reduced stress, and improved overall well-being for the employee.

103. (B) The failure or refusal of an employer to give employment to a workman due to reasons like shortage of raw materials or breakdown of machinery.
A lay-off is a temporary suspension of employment initiated by the employer due to operational or economic difficulties beyond their immediate control. These reasons typically include shortages of raw materials, power failures, or the breakdown of essential machinery. Unlike retrenchment or dismissal, a lay-off is not a permanent termination, and the employee is generally expected to return once the issues are resolved. Understanding this distinction is essential in industrial relations, as it involves specific legal obligations regarding notice periods and compensation for the affected workers.

104. (B) It is a bipartite process between the employer and the union.
Collective bargaining is fundamentally a bipartite process, meaning it involves direct negotiations between two primary parties: the employer and the workers, who are represented by their trade union. This structured dialogue aims to reach a mutually acceptable agreement on employment terms such as wages, hours, and working conditions. By negotiating as a group, employees gain greater leverage than they would individually. The resulting collective agreement serves as a binding contract that governs the relationship, promoting industrial stability and ensuring a fair distribution of organizational rewards.

NODIA

105. (C) Parent-country national (PCN) or Expatriate
In international human resource management, employees are often classified based on their country of origin relative to the company's headquarters and the subsidiary's location. A manager sent from the home country to oversee operations in a foreign subsidiary is known as a parent-country national or an expatriate. This staffing strategy is often used to ensure that the subsidiary maintains strong ties to the parent company's culture and strategic goals. Managing the adjustment and compensation of these individuals is a critical function of global HR departments.

company's management and board of directors. Unions influence the workplace through advocacy and negotiation rather than direct involvement in the selection of the organization's leadership and administrative management team.

94. (D) Appointing and transferring staff within a particular geographic region.
A regiocentric approach in international human resource management involves organizing staffing and management practices around specific geographic regions, such as Europe or Southeast Asia. Under this policy, employees and managers are often transferred and promoted within their own region, allowing the firm to leverage regional cultural similarities and economic integration. This strategy offers a balance between global standardization and local responsiveness. While it facilitates regional cooperation, it can sometimes limit the global perspective of the workforce compared to a truly geocentric staffing approach.

95. (D) Statement I is incorrect, but Statement II is correct.
Green human resource management is far more than a mere compliance exercise; it is a strategic approach that can significantly enhance organizational performance. While its primary focus is on environmental sustainability, it indirectly contributes to financial health by improving resource efficiency and enhancing the company's corporate image. These benefits help attract top talent and build customer loyalty, both of which are critical for long-term profitability. Therefore, a commitment to green practices is an investment in both ecological responsibility and sustainable competitive advantage for the modern organization.

96. (B) HR Analytics
HR analytics involves the systematic use of data, statistical analysis, and predictive modeling to make informed human resource decisions. Instead of relying on intuition or traditional practices, managers use objective metrics to understand patterns in recruitment, performance, and employee turnover. This data-driven approach allows organizations to identify the root causes of HR issues and predict future talent needs more accurately. By integrating analytics into people management, firms can optimize their human capital investments and ensure that HR strategies directly support the broader business objectives.

97. (B) The satisfaction of internal 'customers' (i.e., employees and line managers) with HR services.
In the context of a balanced scorecard for the human resource department, the customer perspective focuses on those who directly receive and use HR services. These internal customers typically include the company's employees and line managers. Measuring their satisfaction with HR processes—such as the speed of recruitment, the quality of training, and the clarity of policies—is essential for evaluating HR's effectiveness. By prioritizing the needs of these internal stakeholders, the HR function ensures it is providing the necessary support to drive overall organizational performance and success.

98. (A) Allows employees to advance their careers either through a managerial track or a technical/specialist track.
A dual career ladder is a developmental structure designed to provide meaningful advancement opportunities for all types of talent within an organization. It allows employees to choose between a traditional managerial path or a technical/specialist track that offers comparable pay and prestige. This approach is particularly valuable for retaining highly skilled experts who may not wish to take on administrative or supervisory roles. By recognizing diverse forms of contribution, the dual ladder ensures that the firm preserves its critical technical expertise while developing strong leadership.

99. (C) Keeping a log of specific examples of an employee's effective and ineffective job behaviors.
The critical incident technique is a qualitative performance appraisal method where managers record specific, observable examples of an employee's behavior during the evaluation period. These "incidents" highlight times when the individual was particularly effective or ineffective in their role. By focusing on actual events rather than subjective traits, this method provides concrete evidence for feedback and development discussions. It helps employees understand exactly what behaviors lead to success and allows managers to provide more

Click Here to Buy book on Amazon

112. (B) Employee engagement
Employee engagement is a multi-dimensional psychological state characterized by an individual's high level of enthusiasm, dedication, and absorption in their work. Organizations often use surveys to measure these factors because engaged employees are significantly more productive, innovative, and committed to the company's vision. Unlike simple job satisfaction, which might only reflect happiness with pay or conditions, engagement captures the intensity of an employee's emotional and intellectual connection to their role. High engagement scores are a strong indicator of a healthy, motivated, and successful organizational culture.

113. (D) Litigation in civil courts
Industrial disputes are typically resolved through specialized mechanisms designed to maintain industrial peace and provide faster resolution than traditional judicial systems. Common methods include conciliation, where a neutral party assists in negotiations, and arbitration or adjudication, where a decision is made by an external authority. While civil courts handle general legal matters, they are not typically considered a formal method for the settlement of industrial disputes within the specialized framework of labor relations. These specialized procedures are essential for ensuring that labor conflicts are addressed fairly and efficiently.

114. (B) The process where a neutral third party assists the disputing parties (union and management) to reach a mutually agreeable settlement, but does not impose a decision.
Conciliation and mediation are non-adversarial methods used to resolve industrial disputes through the assistance of a neutral third party. In this process, the facilitator helps labor and management improve communication, clarify misunderstandings, and explore potential compromises to reach a voluntary agreement. Unlike arbitration or adjudication, the third party has no authority to impose a binding decision. This approach is highly valued because it preserves the relationship between the parties and encourages them to take ownership of the final settlement, fostering long-term industrial harmony and cooperation.

115. (B) Bringing an expatriate employee back to their home country after an assignment is completed.
Repatriation is the final phase of an international assignment, involving the return of an expatriate employee to their home country and parent organization. While often overlooked, this process can be challenging as both the employee and the organization may have changed during the assignment. Effective repatriation programs include career planning, reintegration support, and a way to utilize the international experience gained by the employee. Successfully managing this transition is essential for retaining valuable global talent and ensuring the long-term success of the organization's international staffing strategy.

116. (C) Measuring the organization's environmental performance and impact.
A green audit is a systematic evaluation process used to measure an organization's environmental impact and its compliance with ecological standards. This audit typically focuses on resource consumption, waste management, and the overall carbon footprint of business operations. By identifying areas of inefficiency and environmental risk, the organization can develop more sustainable practices and demonstrate its commitment to corporate social responsibility. Regular green auditing is a key component of green human resource management, helping to foster an environmentally conscious culture and improve the firm's long-term sustainability.

117. (D) A focus on administration and welfare to a strategic focus on people as resources.
The transition from personnel management to human resource management reflects a fundamental shift in how organizations perceive and manage their workforce. While personnel management traditionally focused on administrative tasks, payroll, and employee welfare, modern HRM views employees as essential strategic resources that drive competitive advantage. This approach emphasizes the proactive integration of people management with broader business goals, focusing on human capital development, organizational performance, and long-term value creation. By treating employees as vital assets, organizations

Downloaded from www.pdf.tube

68. (D) All of the above
The talent management cycle is an integrated process that encompasses every stage of an employee's experience within an organization. It begins with strategic talent acquisition to bring in the right people, followed by continuous performance management and targeted learning and development to enhance their skills. Succession planning ensures leadership continuity, while fair compensation and benefits are essential for maintaining motivation and retention. By managing these interconnected elements collectively, organizations can build a high-performing workforce that serves as a sustainable competitive advantage.

69. (C) A state of physical, emotional, and mental exhaustion caused by prolonged stress.
Employee burnout is a serious psychological condition resulting from long-term exposure to high-stress work environments and excessive demands. It is characterized by deep physical and emotional exhaustion, a cynical attitude toward the job, and a diminished sense of personal accomplishment. Unlike temporary fatigue, burnout significantly impairs an individual's ability to function and can lead to increased absenteeism and turnover. Organizations can prevent burnout by promoting work-life balance, providing adequate support, and ensuring that job demands remain manageable for their staff.

70. (B) Promote measures for securing and preserving amity and good relations between the employer and workmen.
A works committee is a bipartite body established within an industrial undertaking to foster cooperation and maintain harmonious relations between management and labor. Its primary function is to provide a forum for discussing day-to-day workplace issues and promoting measures that secure and preserve industrial peace. By facilitating open communication and joint problem-solving, the committee helps prevent minor grievances from escalating into more serious disputes. This proactive approach to internal relationship management is essential for creating a stable and productive work environment.

71. (B) P-3, Q-1, R-2, S-4
Trade unions are classified based on their membership base to effectively represent different segments of the workforce. Craft unions focus on workers with specific specialized skills, while industrial unions include all employees within a particular industry regardless of their specific role. General unions recruit members from various industries and crafts, providing a broad base of representation. White-collar unions are specifically designed for non-manual professionals like teachers or clerks. This diversity ensures that the unique needs of all workers are addressed during collective bargaining.

72. (A) Recruiting host-country nationals to manage subsidiaries in their own country.
A polycentric approach to international staffing is based on the belief that local managers are best suited to navigate the unique cultural, legal, and business environments of their own countries. Under this policy, organizations hire host-country nationals to lead and manage local subsidiaries, while parent-country nationals typically occupy positions at corporate headquarters. This strategy minimizes cultural disconnects and language barriers, often leading to better local market integration. However, it can also result in coordination challenges between the home office and its foreign units.

NODIA

73. (C) Green Recruitment
Green recruitment involves integrating environmental sustainability principles into the hiring process to reduce the ecological footprint of talent acquisition. Practices such as using digital job boards, conducting video interviews, and implementing paperless onboarding significantly decrease resource consumption and travel-related carbon emissions. This approach not only enhances organizational efficiency and reduces costs but also signals the company's commitment to environmental values. By attracting candidates who prioritize sustainability, the organization builds a workforce that is aligned with its broader corporate social responsibility goals.

74. (A) Participates in the development and execution of the overall business strategy.
Acting as a strategic partner implies that the human resource function has transitioned from traditional administrative support to a

124. (D) All of the above.
Retrenchment is defined as the termination of an employee's service by the employer for reasons such as redundancy or organizational downsizing. However, specific legal definitions usually exclude certain types of separations from being classified as retrenchment. These exclusions typically include voluntary retirement chosen by the worker, the natural expiration of a fixed-term contract that is not renewed, and termination resulting from the employee's continued ill-health. Distinguishing between these forms of separation is crucial for determining legal obligations, notice requirements, and the appropriate severance pay for the affected individuals in the labor industry.

125. (C) Governmental Theory
The governmental theory of collective bargaining views the negotiation process as a system of industrial self-government where management and labor jointly create the rules that regulate their relationship. This approach treats the collective agreement as a constitution that establishes the rights and obligations of both parties within the workplace. By framing bargaining as a legislative activity, this perspective emphasizes the creation of a stable and predictable framework for managing employment terms and resolving potential future conflicts. It highlights the role of bargaining in establishing democratic principles and shared governance in the industrial environment.

126. (A) P-3, Q-1, R-4, S-2
International human resource management involves specific concepts that address the challenges of managing a global workforce. An expatriate is an individual working outside their home country, while repatriation is the process of bringing them back after the assignment ends. Culture shock refers to the disorientation people feel when encountering unfamiliar customs, and host-country nationals are local citizens employed by a foreign subsidiary. Understanding these terms is essential for developing effective global staffing policies, managing cross-cultural transitions, and ensuring the success of an organization's international operations and strategic business objectives.

127. (A) Green HRM
Green human resource management is the HR function most directly responsible for promoting an organization's environmental sustainability goals among its workforce. By integrating ecological values into traditional practices—such as recruitment, training, and performance appraisal—green HRM encourages employees to adopt environmentally conscious behaviors. This includes rewarding resource efficiency, providing education on sustainable practices, and fostering a corporate culture that prioritizes the planet alongside profit. Through these initiatives, the HR department helps the organization reduce its carbon footprint and build a strong reputation for corporate social responsibility and environmental stewardship.

128. (D) HR Analytics
When an HR manager uses data analysis and statistical modeling to predict future staffing needs and identify the reasons behind employee departures, they are applying HR analytics. This data-driven approach allows the organization to move beyond intuition and make more accurate decisions regarding talent management. By analyzing patterns in attrition and performance, the firm can develop proactive strategies to retain high-potential employees and optimize its human capital investments. HR analytics is a powerful tool for aligning people management with broader business objectives and improving overall organizational efficiency and strategic success.

129. (A) (i), (ii), and (iii) only
A competency is a measurable and observable pattern of knowledge, skills, and behavioral traits that lead to effective performance in a professional role. Unlike individual tasks, which describe what a person does, competencies focus on 'how' they do it and are strong predictors of job success. Importantly, while individuals may have innate talents, competencies can be developed through experience and training. Mapping these attributes helps organizations align their talent with strategic needs, ensuring that employees possess the specific characteristics required to achieve superior results and contribute to organizational excellence.

Click Here to Buy book on Amazon

153. (C) Allowing the rating from a previous appraisal period to unduly influence the current period's rating.
The spillover effect is a common performance appraisal error where an evaluator allows an employee's performance in a previous period to unfairly influence their current rating. For example, a manager might continue to give a high rating to someone who performed exceptionally well in the past, even if their current performance has declined. This bias prevents an accurate assessment of the individual's actual contributions during the specific period being evaluated. To mitigate the spillover effect, appraisers must focus strictly on the current performance benchmarks and maintain objective documentation throughout the entire evaluation period to ensure a fair assessment.

154. (C) Stabilizing the change and integrating it into the normal way of doing things.
Refreezing is the final stage in Lewin's model of organizational change, focusing on making the newly implemented changes permanent and stable. This phase involves reinforcing new behaviors, processes, and structures to ensure they become the standard way of operating. Organizations achieve this through updated policies, continued training, and reward systems that acknowledge the successful adoption of the change. Without effective refreezing, there is a significant risk that employees will revert to old habits over time. Successful refreezing ensures that the organizational transformation is sustainable and leads to long-term improvements in organizational effectiveness and overall health.

155. (D) Talent Engagement and Retention
When an organization is excellent at attracting top graduates but loses a significant percentage of them within a short period, the primary weakness typically lies in its talent engagement and retention strategies. While the firm may have a strong employer brand and effective recruitment processes, it is failing to keep its talent motivated and committed once they have joined. This issue can stem from a lack of career growth opportunities, poor leadership, or a negative workplace culture. To improve retention, organizations must focus on fostering a supportive environment, providing meaningful work, and recognizing employee contributions to ensure long-term loyalty and success.

156. (C) Employee Engagement
The Q12 survey, developed by Gallup, is a widely recognized and validated tool used to measure the level of employee engagement within an organization. It consists of twelve critical questions that assess essential workplace factors, such as role clarity, access to resources, opportunities for growth, and the quality of relationships with supervisors and peers. By analyzing the results of the Q12 survey, management can gain valuable insights into the emotional and intellectual commitment of their workforce. These insights help identify specific areas for improvement, allowing the organization to build a more motivated, productive, and committed human capital base.

157. (A) Provident Fund legislation
Provident fund legislation is a core component of the social security system, specifically designed to provide workers with essential retirement benefits. These programs typically involve a mandatory savings scheme where both the employer and the employee make regular financial contributions throughout the individual's period of service. The accumulated funds, along with accrued interest, are then paid out to the worker upon their retirement or in the event of disability. By ensuring a basic level of financial security in old age, provident fund schemes contribute significantly to the overall well-being and stability of the national workforce and their families.

158. (B) In voluntary arbitration, both parties agree to submit their dispute to an arbitrator, whereas in compulsory, the government mandates them to do so.
Arbitration serves as a critical mechanism for resolving industrial conflicts through the intervention of a neutral third party. The primary distinction between the two forms lies in the method of initiation; voluntary arbitration occurs when both labor and management mutually choose to submit their case for a decision. Conversely, compulsory arbitration is imposed by the state or government to ensure industrial peace and prevent disruptions, especially in essential services. In both scenarios, the final

NODIA

strikes. Managing individual grievances through structured procedures is therefore essential for preventing larger-scale industrial unrest and maintaining harmonious labor-management relationships within the firm.

136. (C) 1926
The primary legal framework for the registration and regulation of trade unions in India was established with the enactment of the Trade Unions Act in 1926. This landmark legislation provided workers with the legal right to form associations and offered union leaders protection from civil and criminal liability for actions taken during legitimate industrial disputes. By formalizing the role of unions, the act created a structured environment for collective bargaining and the representation of worker interests. This historical legislation remains the cornerstone of Indian labor law, ensuring the right of workers to organize and negotiate.

137. (A) It eliminates the language and cultural barriers between the subsidiary and the market.
A polycentric staffing policy, which involves hiring host-country nationals to manage local subsidiaries, offers significant strategic advantages in international business. Local managers possess a deep understanding of the host country's culture, language, and specific market dynamics, which helps the subsidiary integrate more effectively into the local community. This approach minimizes the risk of cultural misunderstandings and facilitates better communication with local customers and government officials. While it may present coordination challenges with headquarters, a polycentric policy is a highly effective way to build local presence and navigate the complexities of diverse global markets.

138. (A) Green Performance Management
Including environmental awareness as a key competency in an employee appraisal system is a classic example of green performance management. This practice ensures that every manager is evaluated based on their commitment to the organization's sustainability goals and their ability to foster eco-friendly behaviors within their teams. By formalizing these expectations, the organization reinforces the importance of environmental responsibility and aligns individual performance with broader corporate social responsibility objectives. This strategic integration helps create a truly green corporate culture where sustainable practices are recognized, rewarded, and embedded into daily business operations and leadership conduct.

139. (C) Partnering with line management to achieve organizational goals through effective people management.
The strategic role of human resource management involves moving beyond traditional administrative tasks to become a core business partner. In this capacity, HR professionals work closely with line managers to ensure that people management strategies—such as recruitment, training, and performance systems—are directly aligned with the organization's broader business goals. This partnership focuses on enhancing human capital to drive innovation, competitive advantage, and long-term success. By integrating HR with business operations, the organization can better leverage its workforce to achieve excellence and navigate the challenges of a dynamic and demanding global market environment.

140. (B) Drive future performance (e.g., employee skills, process efficiency).
Within the balanced scorecard framework, lead indicators are performance measures that provide early signals of future success. These metrics focus on the drivers of performance, such as employee skill levels, training effectiveness, and the efficiency of internal business processes. By monitoring these indicators, management can predict future outcomes and take proactive steps to ensure organizational goals are met. Unlike lag indicators, which only report on past results like revenue, lead indicators are essential for strategic planning and continuous improvement, helping the firm build the capabilities needed for long-term growth and sustainable competitive advantage.

141. (B) Establishment stage
The establishment stage of a professional career is a critical period where an individual focuses on securing their position within an organization and building a solid foundation of expertise. During this phase, employees typically seek greater responsibility, gain more complex

Downloaded from www.pdf.tube

evaluations are based on observable behaviors rather than subjective traits, leading to more objective and accurate assessments. While the initial investment in developing BARS is high, it provides managers with a powerful tool for giving constructive feedback and helps employees clearly understand the behaviors required for professional success and advancement.

176. (A) It is problem-oriented and focuses on real organizational issues.
Organization development is a planned, systematic approach to improving organizational health and effectiveness, primarily characterized by its focus on solving real-world organizational problems. Unlike theoretical research, OD interventions are practical and tailored to the unique challenges of the firm. It emphasizes humanistic values and the active participation of employees in the change process, fostering a culture of collaboration and trust. By utilizing behavioral science knowledge, OD helps organizations build the internal capacity for self-renewal and continuous adaptation. This problem-oriented focus ensures that change efforts are relevant and lead to sustainable improvements in performance and overall organizational success.

177. (C) Succession Planning - Identifying and preparing future leaders
Succession planning is a critical strategic talent management process that focuses on ensuring leadership continuity by identifying and developing high-potential internal candidates for future roles. This proactive approach involves preparing individuals for senior positions through targeted training, mentoring, and diverse work assignments. In contrast, talent acquisition is about attracting and hiring talent from various sources, skill development focuses on specific job-related abilities, and talent retention aims to reduce employee turnover. Therefore, correctly matching succession planning with the preparation of future leaders highlights its essential role in maintaining organizational stability and ensuring the long-term success of the organization's strategic vision.

178. (C) Job burnout
Job burnout is a serious psychological state resulting from prolonged exposure to high-stress work environments and excessive job demands. It is characterized by three primary symptoms: deep emotional exhaustion, a cynical or detached attitude toward one's work, and a diminished sense of personal accomplishment. In the context of a call center, this often manifests as feeling drained by constant customer interactions and losing the sense of value in one's contributions. Burnout significantly impairs an individual's ability to function and can lead to increased absenteeism and turnover. Organizations must address burnout by promoting work-life balance and providing adequate support.

179. (D) All of the above
Social security is a comprehensive system of protective measures designed to ensure that workers and their families have financial and medical support during various economic contingencies. This includes benefits for old age and retirement, as well as support during periods of sickness and maternity. Furthermore, it provides essential protection in cases of invalidity or unemployment, where an individual's ability to earn an income is compromised. By addressing these diverse risks, social security contributes significantly to the overall stability and well-being of the national workforce, fostering a more secure and motivated labor environment and ensuring social and economic justice.

180. (B) To investigate and settle industrial disputes through a legal machinery.
The primary objective of industrial disputes legislation is to provide a structured legal framework for the investigation and peaceful settlement of conflicts between labor and management. This legislation establishes the machinery for resolution, such as conciliation officers, labor courts, and tribunals, to ensure that disputes are addressed fairly and consistently. By providing a formal alternative to industrial actions like strikes or lockouts, the law aims to maintain industrial peace and minimize disruptions to the economy. This structured approach is essential for protecting the rights of both parties and ensuring the overall stability and productivity of the industry.

NODIA

However, a key condition of the agreement is that all new hires must join the recognized trade union within a specified time period after starting their employment. This system provides a balance between the employer's flexibility in selection and the union's need for security and collective strength. By ensuring a high level of union membership, the union shop enhances the union's bargaining power and ensures that all workers contribute to the costs of representation.

148. (A) Both Statement I and Statement II are correct.
A geocentric staffing approach is widely considered the most complex and expensive to implement due to the significant costs associated with relocating international talent and managing diverse global compensation systems. However, this strategy offers profound strategic benefits by helping to build a strong, unified global corporate culture. By selecting the best-qualified individuals for key positions regardless of their nationality, organizations create a versatile pool of international executives who are capable of working across diverse markets. This global mindset is essential for firms seeking to achieve high levels of integration and competitive advantage in the global economy.

149. (A) Green Recruitment
Green recruitment involves integrating environmental sustainability principles into the hiring process to ensure that new employees are aligned with the organization's ecological values. Including specific questions in job interviews to gauge a candidate's environmental consciousness is a key practice of this approach. This helps the firm select individuals who are more likely to support and contribute to its green initiatives. By building a workforce that prioritizes sustainability, the organization reinforces its commitment to corporate social responsibility and creates an internal culture that values resource efficiency and environmental stewardship alongside traditional business objectives and operational excellence.

150. (B) Welfare Officer → Personnel Manager → Strategic HR Partner
The role of the human resource function has undergone a significant evolution, reflecting changing organizational needs and economic environments. It began with the welfare officer role, which focused primarily on basic employee needs and safety. This transitioned into the personnel manager role, which addressed administrative tasks, payroll, and industrial relations. In the modern era, the function has evolved into a strategic HR partner, which emphasizes the proactive integration of people management with the organization's broader business strategy. This progression highlights the increasing recognition of human capital as a primary source of competitive advantage and long-term organizational success.

151. (D) Customer
Within the balanced scorecard framework, the customer perspective focuses on metrics that reflect the organization's performance from the viewpoint of those who use its services. For a hospital, this includes critical measures such as patient satisfaction scores and average patient wait times. By monitoring these indicators, the organization can assess how well it is meeting the needs and expectations of its primary stakeholders. Focusing on the customer perspective is essential for ensuring high-quality service delivery and building long-term loyalty and reputation, which are fundamental to the success and sustainability of any service-oriented organization.

152. (B) An invisible barrier that prevents women and minorities from advancing to senior leadership positions.
The glass ceiling refers to the invisible and often systemic barriers that prevent women and minorities from advancing into the highest levels of management and leadership within an organization. These barriers may result from unconscious bias, traditional corporate cultures, or a lack of mentorship and developmental opportunities for diverse talent. Addressing the glass ceiling is a critical priority for modern HR departments seeking to foster a diverse and inclusive workplace. By implementing fair promotion practices and diversity initiatives, organizations can leverage a wider range of perspectives and ensure that all employees have an equal opportunity for career growth.

Click Here to Buy book on Amazon

130. (C) Career disengagement/decline
Outplacement services are provided by organizations to support employees who are leaving the firm due to job eliminations or downsizing. These services typically include career counseling, resume assistance, and job search support, helping individuals transition to new opportunities outside the company. This activity is addressed during the career disengagement or decline stage, where the focus shifts from advancement to exiting the current role or organization. By offering outplacement, the firm demonstrates its commitment to employee well-being and maintains its reputation as an ethical employer even during difficult periods of organizational change.

131. (B) Setting clear, measurable, and mutually agreed-upon objectives.
The Management by Objectives (MBO) process of performance appraisal begins with the critical step of joint goal-setting between the manager and the employee. These objectives must be specific, measurable, and aligned with the organization's broader strategic goals. By involving the employee in the planning process, MBO fosters greater commitment, role clarity, and motivation. Throughout the period, progress is monitored, and the final appraisal is based on the actual achievement of these mutually agreed-upon targets. This results-oriented approach ensures that individual efforts are directly contributing to the overall success and excellence of the firm.

132. (B) Team Building
Team building is a common organization development intervention designed to improve the internal dynamics and effectiveness of work groups. It involves activities that clarify individual roles, establish shared goals, and improve communication and interpersonal processes within the team. By fostering trust and collaboration, team building helps members work together more efficiently to solve problems and achieve their objectives. This approach is particularly valuable for improving collective performance and creating a more positive and productive organizational culture. Effective team building ensures that groups are better equipped to handle challenges and contribute to organizational success.

133. (B) The intense competition among organizations to attract and retain high-performing employees.
The "war for talent" describes the highly competitive global labor market where organizations must struggle to attract, develop, and retain the most skilled and high-performing individuals. As human capital becomes a primary source of competitive advantage, firms are increasingly focused on employer branding, superior compensation packages, and robust development opportunities to win this battle. Successfully managing talent is no longer just an HR task but a critical business strategy. Organizations that fail to secure top talent risk falling behind in innovation, productivity, and overall market performance in an increasingly dynamic and demanding economic environment.

134. (A) Both A and R are true and R is the correct explanation of A.
Organizations are increasingly prioritizing employee engagement as a core business metric because of its direct impact on overall performance and profitability. Engaged employees are those who are emotionally committed to their work, leading to higher levels of innovation, productivity, and customer service quality. This commitment translates into better business outcomes, including increased revenue and improved employee retention. By investing in engagement through positive leadership and growth opportunities, firms can create a sustainable competitive advantage and build a high-performing culture that drives long-term strategic success and organizational health.

135. (B) A grievance is an individual's feeling of injustice, which, if not resolved, can become a collective dispute.
In the context of industrial relations, a grievance and a dispute represent different levels of workplace conflict. A grievance is essentially an individual employee's personal feeling of dissatisfaction or unfairness regarding their employment situation. If the organization fails to address this concern effectively, it can escalate into a collective dispute involving multiple workers or a trade union. Disputes are often more formal and can lead to industrial actions like

NODIA

decision of the arbitrator is generally legally binding. This structured approach helps ensure that disputes are resolved fairly and efficiently, maintaining overall economic stability.

159. (B) The statement is incorrect, as cross-cultural adaptability is crucial for expatriate success.
While technical skills are essential for performing the duties of an international assignment, they are not the only factor that determines success. Cross-cultural adaptability is equally crucial, as expatriates must be able to navigate different social cues, languages, and business practices in their host country. Failure to adjust to a new culture is a primary reason for the high rate of expatriate failure. Therefore, organizations must prioritize both technical competence and cultural intelligence when selecting candidates for international roles. Providing comprehensive pre-departure training is also essential for helping employees and their families successfully transition to their new environment.

160. (C) A workforce that is more environmentally aware and engaged in sustainable practices.
Effective green human resource management leads to the development of a workforce that is deeply aware of and committed to the organization's environmental sustainability goals. By integrating ecological values into traditional HR functions—such as recruitment, training, and performance systems—the firm encourages employees to adopt sustainable behaviors in their daily work. This results in significant resource efficiency, reduced waste, and a stronger reputation for corporate social responsibility. Ultimately, a green-conscious workforce serves as a powerful driver of the organization's long-term sustainability efforts, contributing to both environmental preservation and overall organizational health and operational efficiency.

161. (B) A firm's competitive advantage lies in its unique, valuable, and inimitable internal resources, especially human capital.
The resource-based view of the firm provides a strong theoretical foundation for the strategic role of HRM by emphasizing that an organization's internal resources are the key to competitive advantage. Human capital—the collective knowledge, skills, and experience of the workforce—is considered a particularly valuable resource because it is unique and difficult for competitors to imitate. By investing in the development and retention of high-quality talent, organizations can build a sustainable advantage that drives innovation and excellence. This perspective shifts the focus from external market positioning to the proactive management and leverage of internal human resources for strategic success.

162. (B) P-3, Q-4, R-1, S-2
The balanced scorecard framework uses diverse metrics to evaluate performance across four interconnected perspectives. Financial health is often measured by Return on Capital Employed (ROCE), while the customer perspective may focus on brand recognition and satisfaction levels. Internal business process efficiency can be gauged by the time to market for new products. Finally, the learning and growth perspective focuses on human capital metrics, such as employee retention rates. By monitoring these varied indicators, organizations gain a holistic view of their performance, ensuring that short-term financial results are supported by long-term strategic capabilities and excellence.

163. (B) An individual's career is driven by their own values and is self-directed.
The concept of a protean career describes a modern approach where the individual, rather than the organization, takes primary responsibility for managing their own professional path. This type of career is self-directed and guided by the person's internal values and goals rather than external rewards or traditional corporate ladders. Professionals with a protean mindset are adaptable and frequently seek out new experiences and learning opportunities across different roles and organizations. By focusing on personal growth and self-defined success, they can maintain a more flexible and fulfilling career in an increasingly dynamic and unpredictable global labor market.

164. (C) Recency Error
The recency error is a common performance appraisal bias where an evaluator gives undue importance to an employee's most recent actions, ignoring their performance over the majority of the evaluation period. In this scenario, a manager

NODIA

might overlook eleven months of excellent work because of a single recent mistake. This leads to an inaccurate and unfair assessment that fails to reflect the individual's overall contribution to the organization. To prevent this error, managers should maintain consistent performance records throughout the year, ensuring that the final appraisal is based on a comprehensive and objective review of the entire period.

165. (C) OD is a planned, systematic approach to managing organizational change, focusing on culture and processes.
While organizational change refers to any transition in an organization's structure, technology, or strategy, organization development is a specific, systematic approach to managing that change. OD focuses on long-term improvements in organizational health and effectiveness by utilizing behavioral science knowledge to transform culture and processes. Unlike unplanned or reactive change, OD interventions are proactive and emphasize employee participation and humanistic values. By fostering a culture of trust and collaboration, OD helps organizations build the internal capacity to adapt to environmental changes and achieve sustainable excellence through structured and evidence-based transformation efforts.

166. (B) Talent management
Talent management is an integrated strategic process that focuses on the entire employee lifecycle to ensure the organization has a continuous supply of high-performing individuals in critical roles. Key activities include leadership development programs to prepare for future challenges, clear career pathing to motivate top performers, and robust succession planning for organizational continuity. By prioritizing these initiatives, the firm builds a sustainable competitive advantage through its human capital. This holistic approach ensures that talent acquisition, development, and retention are aligned with the organization's long-term business goals, fostering a culture of excellence and strategic readiness for future market demands.

167. (B) Technology has made it easier for many to achieve a perfect work-life separation.
Work-life balance refers to the harmony between an individual's professional responsibilities and their personal life. While technology has provided greater flexibility through telecommuting, it has also blurred the boundaries between work and home, often making it more difficult to achieve a perfect separation. Poor work-life balance is strongly linked to increased stress, health issues, and employee burnout. Therefore, organizational culture plays a vital role in promoting balance by setting realistic expectations and respecting personal time. Successfully managing this equilibrium is essential for maintaining employee well-being, job satisfaction, and long-term commitment in the modern, connected workplace.

168. (B) Bonus payment legislation
The payment of bonuses to employees is typically governed by specific national legislation, such as the Payment of Bonus Act in India. This type of law establishes the legal obligation for employers to share a portion of their profits with their workers based on their salary and the company's financial performance. It provides a structured framework for calculating the minimum and maximum bonus amounts, ensuring a fair and consistent distribution of organizational rewards. By formalizing this process, bonus legislation aims to promote industrial harmony and recognize the contribution of workers to the overall success and productivity of the industry.

169. (A) (i), (ii), (iii), (iv)
A standard grievance handling procedure follows a structured hierarchy to ensure that employee concerns are addressed fairly and efficiently. It typically begins with the individual bringing the issue to their immediate supervisor for a quick resolution. If not settled, the grievance moves to the head of the department and then to a formal grievance committee for a more thorough review. If internal methods fail, the final stage often involves voluntary arbitration by a neutral third party. This systematic approach ensures that conflicts are resolved at the lowest possible level, maintaining harmonious labor-management relations within the firm.

Downloaded from www.pdf.tube

170. (B) It can create a barrier for local employees, limiting their career advancement.
An ethnocentric staffing policy, which relies on parent-country nationals to fill key leadership positions in foreign subsidiaries, presents significant disadvantages in international human resource management. By reserving top roles for expatriates, the organization can create a "glass ceiling" for host-country nationals, limiting their opportunities for professional growth and advancement. This can lead to decreased motivation, high turnover among talented local staff, and strained relationships between the subsidiary and its local workforce. Furthermore, this approach may hinder the organization's ability to build a truly global leadership team and understand the unique cultural nuances of the host country's market.

171. (A) Green HRM
Green human resource management involves integrating an organization's environmental sustainability goals into its core people management practices. When a firm commits to eco-friendly products and processes and supports this through HR policies that reward sustainable behaviors, it is practicing green HRM. This includes encouraging employees to innovate for resource efficiency and fostering a corporate culture that values environmental stewardship alongside traditional performance. Through these initiatives, the HR function helps the organization reduce its ecological footprint and enhance its reputation for corporate social responsibility, ultimately contributing to both environmental preservation and long-term sustainable competitive advantage and organizational success.

172. (A) Attrition analysis
Attrition analysis is a strategic HR activity that uses predictive analytics to identify patterns in employee turnover and pinpoint individuals who are at high risk of leaving the organization. By analyzing data on performance, tenure, and engagement, managers can understand the root causes of departures and take proactive steps to retain valuable talent. This data-driven approach allows the firm to move beyond simple reporting and develop targeted retention strategies, such as career development or compensation adjustments. Successfully managing attrition is essential for maintaining a stable, high-performing workforce and minimizing the significant costs associated with employee recruitment and replacement.

173. (D) Salary competency
Competencies are clusters of knowledge, skills, and behavioral traits that drive effective performance within an organization. Common categories include technical competencies for specific job tasks, behavioral competencies for interpersonal skills, and leadership competencies for managing others and driving strategy. In contrast, "salary" is a form of compensation and does not constitute a competency or an individual attribute. Organizations use competency frameworks to align their talent with strategic needs, ensuring that employees possess the specific characteristics required for success. By focusing on these core categories, HR can design more effective systems for recruitment, performance appraisal, and professional development.

174. (C) Technical/Functional Competence
A career anchor is the fundamental motive or value that guides a person's professional choices. An individual driven by technical or functional competence seeks to excel in their specific field of expertise and often prefers to continue practicing their skills rather than moving into general management roles. In this scenario, the surgeon values their specialized surgical and teaching skills over the higher pay and administrative authority of a hospital administrator position. Identifying this anchor helps individuals make more fulfilling career decisions and allows organizations to design development paths that respect the fundamental motivations and talents of their diverse workforce.

NODIA

175. (A) Both A and R are true and R is the correct explanation of A.
Behaviorally anchored rating scales (BARS) are widely considered a highly effective yet complex method of performance appraisal. Their development is time-consuming because it requires identifying specific critical incidents of job performance and creating detailed behavioral statements to define each level on a rating scale. This rigorous process ensures that

skills, and strive for promotion within the organizational hierarchy. This stage follows the initial exploration phase and is characterized by high levels of motivation and a strong desire for professional growth and recognition. Successful navigation of the establishment stage is essential for long-term career success and prepares the individual for the subsequent maintenance and leadership stages.

142. (C) It focuses on the 'how' (behaviors) rather than the 'what' (results).
Management by Objectives (MBO) is a results-oriented performance appraisal method that emphasizes 'what' an employee achieves rather than 'how' they behave. This participative approach involves joint goal-setting between managers and employees, where they agree on specific, measurable, and time-bound targets for the upcoming period. By focusing on outcomes and results, MBO aligns individual efforts with organizational goals and provides clear benchmarks for evaluation. While behavioral aspects are important, MBO's primary strength lies in its focus on tangible achievements, making it a powerful tool for driving motivation, accountability, and overall organizational effectiveness and success.

143. (D) All of the above
Human process interventions are a category of organization development techniques that focus on improving the internal dynamics, communication, and interpersonal relationships within an organization. Common examples include sensitivity training to enhance self-awareness, survey feedback to identify employee concerns, and process consultation to improve group decision-making. Team building and intergroup development are also essential for fostering collaboration and trust across the workforce. By addressing the "human" aspects of the organization, these interventions help create a healthier, more collaborative, and effective organizational culture, ultimately enhancing the firm's ability to solve problems and adapt to change.

144. (B) The high-potential (HiPo) pool
In the context of talent management and succession planning, a high-potential or "HiPo" pool refers to a select group of employees who have been identified as having the ability and aspiration to move into senior leadership or critical roles in the future. Organizations invest significantly in these individuals through targeted development programs, mentoring, and diverse work assignments to prepare them for higher-level responsibilities. Identifying and nurturing this pool is essential for ensuring leadership continuity and maintaining a sustainable competitive advantage. By focusing on these future leaders, the organization ensures it is well-equipped to navigate future strategic challenges.

145. (C) Not engaged employee
An employee who is "not engaged" is one who lacks passion and enthusiasm for their work, essentially putting in time but not significant energy or commitment. While these individuals may perform their basic tasks and are not actively disruptive, they are not emotionally invested in the organization's success. This "checked out" behavior is a common challenge for management, as it can lead to lower productivity and missed opportunities for innovation. Identifying and re-engaging these employees through better leadership, meaningful work, and growth opportunities is essential for building a truly high-performing and committed organizational workforce.

146. (D) Transport facilities from home to work
Statutory labor welfare refers to the specific facilities and services that employers are legally mandated to provide to their workers under national labor legislation. Common examples include canteens, crèches for children, and first-aid appliances, all of which are designed to ensure the basic health and safety of the workforce. While some organizations may provide transport facilities from home to work, this is typically a voluntary or non-statutory benefit rather than a legal requirement. Understanding the distinction between statutory and voluntary welfare is essential for ensuring compliance with labor laws and managing employee expectations within the firm.

147. (C) Employees to join the union within a certain period after being hired.
A union shop agreement is a labor arrangement where the employer has the freedom to hire any individual, regardless of their union status.

Click Here to Buy book on Amazon

181. (B) A strike is a work stoppage initiated by employees, while a lock-out is a work stoppage initiated by the employer.
Strikes and lockouts are both forms of industrial action that involve a cessation of work, but they are initiated by different parties in a labor conflict. A strike occurs when employees collectively stop working to pressure management to meet their demands or address grievances. In contrast, a lockout is initiated by the employer, who temporarily closes the workplace to gain leverage during collective bargaining or to pressure workers to accept certain terms. Understanding this distinction is essential in industrial relations, as both actions have significant legal and economic consequences and reflect a high level of conflict within the workplace.

182. (B) Returns to their home country earlier than planned due to an inability to adjust or perform.
Expatriate failure occurs when an employee sent on an international assignment returns to their home country before the scheduled completion date. This premature return is often caused by the individual's inability to adapt to the local culture, poor job performance in a foreign environment, or the family's difficulty in adjusting to the new lifestyle. Such failures represent a significant financial loss for organizations and can negatively impact the career progression and morale of the individual employee involved. Organizations can mitigate this risk by providing rigorous selection processes, cross-cultural training, and ongoing support for expatriates and their families.

183. (D) Statement I is incorrect, but Statement II is correct.
Green human resource management is highly relevant across all industries, including the service sector, where organizations can implement numerous sustainable practices. While manufacturing firms focus on production processes, service-sector firms can contribute to environmental goals through energy conservation, waste reduction, and paperless administrative operations. Furthermore, policies like green commuting and eco-friendly facilities can significantly reduce an organization's overall carbon footprint. By fostering an environmentally conscious culture, service-oriented firms enhance their corporate reputation and attract talent and customers who value sustainability, demonstrating that every type of organization can play a vital role in global environmental responsibility and long-term sustainability.

184. (C) Both vertical and horizontal integration.
The strategic human resource management perspective is characterized by two essential forms of integration. Vertical integration involves aligning HR policies and practices directly with the organization's broader business strategy and long-term goals. Horizontal integration, on the other hand, focuses on ensuring that various HR functions—such as recruitment, training, and compensation—are mutually supportive and consistent. By achieving both types of integration, HR becomes a primary driver of organizational performance and competitive advantage. This holistic approach ensures that the workforce is properly equipped and motivated to execute the firm's strategy and navigate the challenges of a dynamic and competitive market.

NODIA

185. (A) Yes, the statement is fully correct.
In the field of human resource management, competency models and job descriptions serve distinct but complementary purposes. A job description identifies the specific tasks and responsibilities that define 'what' an employee must do in their role. In contrast, a competency model describes 'how' those tasks should be performed by defining the necessary knowledge, skills, and behavioral traits required for superior performance. By utilizing both tools, organizations can ensure a more complete understanding of job requirements, guiding recruitment, performance appraisal, and professional development more effectively to align individual capabilities with the firm's strategic business needs and goals.

186. (C) To identify one's own career goals, strengths, and weaknesses.
From an individual's perspective, career planning is a self-directed process focused on identifying personal professional goals and assessing one's own strengths and weaknesses. This activity allows the employee to take primary responsibility for their own career development and make more informed choices about their professional path. By understanding their internal drivers and capabilities, individuals can better align their aspirations with the opportunities

conducted fairly and constructively, appraisals can significantly enhance employee motivation and role clarity. By focusing on both strengths and areas for improvement, the appraisal process aligns individual contributions with the organization's strategic goals. This structured evaluation is fundamental to maintaining high performance and ensuring that human resource investments are properly targeted for long-term organizational success.

221. (B) The need to adapt to internal or external change.
Organization development is a planned and systematic approach specifically designed to help organizations improve their overall health and effectiveness by adapting to change. These change efforts may be driven by external factors—such as new technology or market competition—or internal factors, like shifts in leadership or organizational structure. OD utilize behavioral science knowledge to facilitate these transitions through deep changes in culture, processes, and strategy. By fostering a culture of continuous learning and renewal, OD helps organizations remain agile and resilient, ensuring they can successfully navigate the challenges of a dynamic and unpredictable global business environment.

222. (C) Performance and Potential
The 9-box grid is a strategic talent review tool used by organizations to evaluate their workforce across two primary axes: current performance and future potential. By plotting employees on this grid, managers can easily identify high-potential candidates who are ready for leadership development and succession planning. It also helps pinpoint individuals who may need additional support or training. This visual framework facilitates more objective and collaborative discussions about talent management, ensuring that development resources are allocated effectively and that the organization is building a strong leadership pipeline to meet future strategic business needs and goals.

223. (C) Is unhappy at work and acts out their unhappiness, undermining what engaged coworkers accomplish.
An "actively disengaged" employee represents a serious challenge for any organization, as they are not only unhappy with their work but also act out their dissatisfaction in ways that negatively impact their peers and the workplace culture. These individuals may undermine projects, speak poorly of the organization, and discourage их engaged coworkers. This behavior can lead to lower overall productivity, increased conflict, and higher turnover rates. Addressing active disengagement requires immediate leadership attention, involving open communication, addressing underlying grievances, and, in some cases, re-evaluating the individual's fit within the organization to preserve a healthy and productive environment.

224. (B) Employee Compensation legislation
Employee compensation legislation, such as the Employee's Compensation Act, provides a critical legal framework for protecting workers who are injured in the course of their employment. This law establishes the employer's obligation to pay financial compensation to an individual who suffers a workplace-related injury or disability. It also provides support to families in the event of an employee's death due to an accident at work. By formalizing these benefits, the legislation ensures social and economic justice for the workforce, promoting safety consciousness and providing essential security for workers and their dependents within the industrial environment.

225. (B) P-4, Q-2, R-3, S-1
Industrial relations involve various formal and informal processes for settling disputes and establishing employment terms. Adjudication is a compulsory settlement by a labor court, while conciliation is a process where a neutral third party assists the parties in reaching a voluntary agreement without imposing a decision. Arbitration involves a third party whose decision is legally binding, and collective bargaining is a bipartite negotiation directly between the employer and the union. Understanding these different processes is essential for managing labor conflicts and ensuring a stable and fair relationship between the workforce and the organization in a dynamic industry.

226. (B) Cross-cultural and language training
Before an expatriate begins an international assignment, organizations typically provide pre-departure training to ensure their successful

Downloaded from www.pdf.tube

strikes, demonstrations, and gheraos to negotiate better wages and working conditions with management. These actions are a fundamental tool in labor relations, allowing workers to collectively express their dissatisfaction and demand changes. While often a last resort, militant functions are essential for the union's role as a representative body, ensuring that employee voices are heard and that their rights are protected within the competitive industrial environment.

193. (C) Ethnocentric
An ethnocentric approach in international human resource management is based on the belief that the management practices and personnel of the home country are superior to those elsewhere. This orientation leads organizations to fill key leadership positions in all foreign subsidiaries with parent-country nationals, following the logic that "what works at home will work abroad." While this ensures a strong connection to headquarters and a unified corporate culture, it often fails to account for important local cultural nuances and business practices. This lack of adaptability can lead to culture shock, poor decision-making, and strained relations with the local subsidiary's workforce.

194. (B) Green Training and Development
Green training and development involves providing employees with the specific knowledge and skills needed to support the organization's environmental sustainability goals. This includes education on waste management, energy conservation techniques, and relevant environmental regulations. By investing in these programs, the organization empowers its workforce to adopt eco-friendly behaviors and innovate for greater resource efficiency in their daily tasks. Fostering an environmentally conscious culture through targeted training not only reduces the firm's ecological footprint but also enhances its reputation for corporate social responsibility and helps attract talent that values sustainability and ethical business practices.

195. (C) Facilitating the smooth implementation of a new organizational structure or technology.
In the modern organizational landscape, the HR function often serves as a "change agent," responsible for facilitating and managing major transitions within the firm. This role involves helping the workforce adapt to new organizational structures, technologies, or strategic directions through clear communication and effective training. By addressing employee concerns and minimizing resistance, HR professionals ensure that changes are implemented smoothly and successfully. This proactive contribution is essential for maintaining organizational agility and effectiveness. Serving as a change agent shifts HR's focus from traditional administrative tasks to active participation in organizational transformation and the achievement of long-term strategic success.

NODIA

196. (B) Set of clearly defined competencies with behavioral indicators for different proficiency levels.
The primary outcome of a competency mapping exercise is a comprehensive framework that defines the specific knowledge, skills, and behavioral traits required for excellence across various roles in an organization. For each competency, the framework provides clear behavioral indicators that describe what performance looks like at different proficiency levels. This standardized benchmark ensures a common language for talent management, guiding recruitment, performance appraisal, and professional development more effectively. By aligning individual capabilities with the organization's strategic needs, competency mapping fosters a culture of high performance and ensures that the workforce is properly equipped for success.

197. (B) Protean career
A protean career describes a modern, self-directed approach where an individual takes primary responsibility for their own professional path and development. This type of career is guided by the person's internal values and goals rather than traditional corporate ladders or external rewards. Professionals with a protean mindset are highly adaptable and frequently change roles or industries to gain a wide range of experiences and skills. By focusing on personal growth and self-defined success, they maintain greater flexibility in a dynamic labor market. This approach allows for a more fulfilling and resilient

to execute its strategic vision and navigate future challenges.

209. (A) An average employee is rated as excellent because they are being evaluated immediately after a very poor performer.
The contrast effect is a performance appraisal error and cognitive bias where an evaluator's assessment of an employee is unfairly influenced by their comparison to the individual who was rated immediately before them. In this scenario, an average performer may receive an inflated "excellent" rating simply because they were evaluated right after a very poor performer. This bias prevents an accurate and objective assessment based on the actual performance benchmarks. To mitigate the contrast effect, managers should use standardized evaluation criteria and take regular breaks during the appraisal process to maintain objectivity and focus on each individual.

210. (C) Process Consultation
Process consultation is an organization development intervention where an external or internal consultant observes a group's internal processes—such as communication patterns, decision-making, and problem-solving—and provides constructive feedback to help the group improve. The consultant's role is not to provide solutions but to help members become aware of their own dynamics and learn how to function more effectively. This approach fosters a culture of self-reflection and continuous improvement within work groups. By enhancing group processes, process consultation leads to better collaboration, more effective problem-solving, and improved overall organizational health and performance in a competitive environment.

211. (B) To prepare high-potential employees for future leadership and critical roles.
Talent development is a selective and strategic HR process focused on identifying and nurturing high-potential individuals within an organization to prepare them for future leadership and critical roles. Unlike general skill development for all staff, this process involves targeted initiatives such as executive coaching, advanced training, and mentoring to build long-term capabilities. By investing in these future leaders, the organization ensures it has a strong internal pipeline ready to fill senior positions as they arise. This forward-thinking strategy is essential for maintaining strategic continuity and achieving a sustainable competitive advantage in a demanding and dynamic global market.

212. (D) Statement I is incorrect, but Statement II is correct.
While job satisfaction and employee engagement are related, they are distinct concepts that should not be used interchangeably. An employee may be satisfied with their salary and working conditions but still lack the high level of emotional commitment and enthusiasm characteristic of an engaged worker. Satisfaction often reflects happiness with what the employee receives, whereas engagement describes the intensity of their dedication to what they give to the organization. Truly engaged employees are those who are not just happy but are fully absorbed in their work and dedicated to achieving the company's vision and long-term goals.

213. (C) Industrial action / protest
A "go-slow" is a form of industrial action where workers deliberately reduce their pace of production without stopping work entirely. This tactic is used to put pressure on management to address grievances or meet specific demands while the employees remain on the job. While not as disruptive as a full strike, a go-slow can significantly impact an organization's operational efficiency and productivity. It is considered a form of industrial protest and requires careful handling by management through negotiation and conflict resolution strategies to prevent the situation from escalating into more serious collective disputes or labor unrest.

214. (B) Integrative bargaining
Integrative bargaining, often called interest-based or win-win bargaining, is a collaborative negotiation approach where both parties work together to find solutions that satisfy their mutual interests. Unlike distributive bargaining, which focuses on dividing a fixed amount of resources where one side's gain is the other's loss, this method seeks to "expand the pie" and create value. By emphasizing problem-solving and open communication, integrative bargaining helps build stronger, long-term relationships between labor and management. This approach leads to more sustainable and creative agreements that

Click Here to Buy book on Amazon

gains, and productivity bargaining which links wage increases to improved output. In contrast, individual bargaining involves a single employee negotiating their own terms directly with management, which lacks the collective power and formal structure of the other methods. Understanding these distinctions is essential for managing labor relations, as collective processes are specifically designed to balance the power between workers and the organization.

204. (B) Cross-cultural training before departure.
The high rate of expatriate failure is often attributed to the inability of the employee or their family to adjust to the cultural environment of the host country. This highlights the critical importance of providing comprehensive cross-cultural training before departure. Such training helps expatriates understand local customs, languages, and business practices, reducing the risk of culture shock and disorientation. By preparing individuals for the psychological and social challenges of working abroad, organizations can significantly improve the success rate of international assignments. Successfully managing these global transitions is essential for maintaining a strong international leadership pipeline and achieving strategic business objectives.

205. (C) Foster a green corporate culture that contributes to environmental sustainability.
The ultimate goal of green human resource management is to create a corporate culture that is deeply committed to environmental sustainability. By integrating ecological values into traditional HR practices—such as recruitment, training, and performance systems—the organization encourages employees to adopt sustainable behaviors in their daily tasks. This goes beyond simple compliance with environmental laws and aims to embed resource efficiency and environmental stewardship into the firm's core identity. Through these initiatives, the organization reduces its ecological impact, enhances its corporate image, and contributes significantly to global sustainability efforts while building a more responsible and future-ready workforce.

206. (C) Listening and responding to employees' needs and concerns.
In Ulrich's HR model, the "employee champion" role focuses on the relationship between the organization and its workforce. HR professionals in this capacity act as advocates for employees, ensuring that their needs and concerns are heard and addressed by management. This involves fostering a supportive work environment, promoting employee well-being, and enhancing overall job satisfaction. By listening and responding effectively to the workforce, the employee champion helps build a high level of trust and engagement. This role is essential for maintaining employee commitment and ensuring that the organization's human capital remains motivated and productive in a competitive market.

207. (B) Competency Framework
A competency framework is a comprehensive HR tool that defines the specific knowledge, skills, and behavioral traits required for excellence in various roles within an organization. For each competency, such as "Innovation," the framework provides behavioral indicators that describe what effective performance looks like at different levels of seniority. These indicators serve as objective benchmarks for recruitment, performance appraisal, and professional development. By providing a standardized and clear description of 'how' work should be performed, a competency framework ensures that the workforce is properly equipped to achieve the organization's strategic objectives and maintain high performance.

208. (A) Both A and R are true and R is the correct explanation of A.
Succession planning is a critical strategic process for ensuring leadership continuity and long-term organizational stability. It involves the proactive identification and development of high-potential internal candidates who have the ability to fill key leadership and critical business positions in the future. By investing in the growth of these individuals through targeted training, mentoring, and diverse work assignments, the organization builds a robust leadership pipeline. This systematic approach minimizes the risks associated with sudden vacancies in senior roles and ensures that the firm remains well-equipped

Downloaded from www.pdf.tube

available within the organization or the broader labor market. Effective career planning leads to higher job satisfaction, increased motivation, and a more fulfilling professional life, while also benefiting the organization through a more engaged workforce.

187. (B) Rate an employee unfavorably on all traits because of one negative trait.
The horn effect is a common performance appraisal error and cognitive bias where an evaluator allows one negative characteristic or event to unfairly influence their entire assessment of an employee. In such cases, a single weakness leads the manager to provide low ratings across all other unrelated performance dimensions. This bias prevents a fair and objective evaluation of the individual's overall contribution and can lead to demotivation and inaccurate performance data. Organizations can mitigate the horn effect by training appraisers to evaluate each trait independently and basing assessments on objective, behaviorally grounded evidence throughout the evaluation period.

188. (C) Coercion and Threats
Managing resistance to organizational change requires strategies that foster trust and collaboration rather than fear. Positive techniques include education and communication to explain the need for change, and participation to involve employees in the process. Facilitation and support are also essential for helping individuals adapt to new roles. In contrast, coercion and threats are highly ineffective and typically lead to increased resentment and deep-seated resistance. These negative methods undermine the organizational culture and are unlikely to produce sustainable change. Successful transformation depends on building commitment through transparent leadership and providing the necessary resources for employee success.

189. (B) (i), (iii), and (v) only
Talent management is a continuous and integrated strategic process designed to ensure that an organization has the right people with the right skills in the right roles at the right time. This holistic approach is crucial for achieving a sustainable competitive advantage and involves a long-term commitment to attracting, developing, and retaining high-potential individuals. Unlike reactive HR functions, talent management is proactive and aligns people strategies with the firm's vision. By managing the entire employee lifecycle effectively, the organization builds a high-performing human capital base that is capable of driving innovation, excellence, and long-term strategic success.

190. (C) Employees taking initiative and going beyond their formal job descriptions.
High employee engagement is characterized by an individual's deep emotional and intellectual commitment to their work and the organization's success. A strong indicator of this state is when employees take personal initiative and consistently go beyond their formal job descriptions to contribute to organizational goals. This discretionary effort reflects a high level of enthusiasm and dedication. In contrast, indicators like absenteeism or frequent grievances reflect low engagement. By fostering a culture that encourages autonomy and recognizes achievements, organizations can build a highly engaged workforce that serves as a primary driver of innovation, productivity, and long-term excellence.

191. (B) Grievance redressal procedure
A grievance redressal procedure is a formal, step-by-step mechanism established by an organization to allow employees to voice their complaints and have them resolved fairly and efficiently. This structured process typically begins with the immediate supervisor and can escalate to higher management or even neutral arbitration. By providing a clear and accessible way to address concerns regarding working conditions or perceived injustices, the procedure helps prevent minor grievances from turning into serious collective disputes. Effective grievance handling is essential for maintaining harmonious labor-management relationships, fostering trust, and ensuring a stable and productive work environment for all staff members.

192. (B) Organizing strikes, gheraos, and demonstrations to achieve demands.
Trade unions perform various functions categorized as either fraternal or militant. Militant functions involve the use of industrial pressure to achieve the union's demands and protect members' interests. This includes organizing

NODIA

benefit both the workforce and the organization as a whole.

215. (B) Merging two different organizational cultures and HR practices.
In global mergers and acquisitions, the most significant challenge for the human resource function is often the integration of two distinct organizational cultures and their varied HR practices. Differences in communication styles, leadership approaches, and compensation systems can lead to friction, employee anxiety, and a loss of productivity. Successfully managing this cultural integration requires careful planning, transparent communication, and a focus on building a new, unified identity. By addressing these human and cultural aspects proactively, HR professionals can ensure that the newly merged organization functions effectively and achieves the strategic and financial goals of the acquisition.

216. (B) Green Human Resource Management
Green human resource management involves integrating an organization's environmental sustainability goals into its core HR policies and practices. This includes promoting eco-friendly behaviors through green recruitment, training, and performance management. By rewarding resource efficiency and encouraging environmental awareness, the HR function helps create a "green" workplace culture where sustainability is prioritized alongside traditional performance. This strategic approach not only reduces the organization's ecological footprint but also enhances its reputation for corporate social responsibility. Ultimately, green HRM helps build a workforce that is both capable and motivated to contribute to global environmental preservation and long-term organizational sustainability.

217. (C) Strategic Human Resource Management
Strategic human resource management is based on the fundamental belief that an organization's people are its most valuable assets and a primary source of competitive advantage. Unlike traditional administrative HR, this perspective emphasizes the proactive alignment of all human resource policies—such as talent acquisition, development, and rewards—with the broader business strategy and long-term goals. By treating employees as strategic resources to be developed and leveraged, the organization can drive innovation, improve productivity, and achieve excellence. This integration ensure that HR contributes directly to the firm's vision and its ability to succeed in a dynamic and competitive market.

218. (C) "To satisfy our shareholders and customers, what business processes must we excel at?"
The internal business process perspective of the balanced scorecard focuses on identifying and optimizing the critical activities at which an organization must excel to deliver value to its customers and shareholders. This perspective answers the question of which internal processes—such as manufacturing efficiency, product innovation, or service delivery—are most essential for achieving strategic goals. By monitoring and improving these processes, management can ensure high quality and operational excellence. Focusing on internal processes is a vital part of the scorecard framework, providing a clear link between daily operational performance and the broader strategic success and sustainability of the firm.

219. (A) Career planning and personal development
A sabbatical leave is a formal policy offered by some organizations that allows employees to take an extended period of time away from work for personal development, research, or travel. By providing this opportunity, the organization supports the employee's long-term career planning and personal growth, helping to prevent burnout and increase overall job satisfaction. Sabbaticals allow professionals to gain new perspectives and skills that can ultimately benefit the firm upon their return. This type of policy demonstrates a deep commitment to employee well-being and is a powerful tool for retaining top talent and fostering a motivated and high-performing workforce.

220. (B) (i), (ii), (iii), and (iv) only
Performance appraisal is a multi-dimensional tool that serves several essential organizational functions. Its primary purposes include providing constructive feedback to employees to improve performance, identifying specific training and development needs, and serving as a fair basis for promotions and salary decisions. When

Click Here to Buy book on Amazon

for self-renewal and continuous adaptation in a complex and competitive global market.

232. (B) Talent Acquisition
Employer branding is a critical strategic activity within the talent acquisition function, focused on creating and promoting a positive image of the organization as a desirable place to work. By highlighting the company's values, culture, and career opportunities, employer branding helps attract a high-quality talent pool and differentiates the firm from its competitors in the labor market. A strong brand signals to potential candidates that the organization is committed to employee growth and well-being. Successfully managing this reputation is essential for winning the "war for talent" and ensuring that the firm consistently attracts the best-qualified individuals for its strategic needs.

233. (B) High employee engagement
The state of "flow," characterized by complete absorption and focused concentration on a challenging task, is a powerful indicator of high employee engagement. When individuals experience flow, they are utilizing their skills to the fullest and find their work inherently rewarding. This deep level of intellectual and emotional commitment leads to higher productivity, increased innovation, and a greater sense of job satisfaction. Organizations can foster flow by providing meaningful work that aligns with employee strengths and offers appropriate challenges. Promoting these experiences is a key part of building a high-performing culture where employees are energized and dedicated to excellence.

234. (C) Both (i) and (ii)
The provision of crèche facilities at the workplace is often a mandatory requirement under various national labor and social security laws. For example, maternity benefit legislation may require these facilities to support working mothers, while general factory legislation often mandates crèches in establishments with a significant number of female employees. These statutory welfare measures are designed to promote gender equality in the workforce and ensure the well-being of employees' children. By providing such support, organizations help reduce work-life conflict and improve the retention of talented female professionals, ultimately contributing to a more diverse, inclusive, and socially responsible industrial environment and organizational culture.

235. (A) Labour Courts, Industrial Tribunals, and National Tribunals
The formal legal machinery for settling industrial disputes through adjudication is typically structured into a three-tier system to ensure fair and consistent resolution of conflicts. Labour courts address individual grievances and issues related to specific standing orders, while industrial tribunals handle broader collective disputes such as wages and working conditions. National tribunals are reserved for disputes of national importance or those involving multiple states. This structured hierarchy provides a formal judicial alternative to industrial actions like strikes, helping to maintain industrial peace and economic stability. By following this systematic approach, the industry ensures that labor-management conflicts are resolved through evidence-based legal procedures.

236. (B) Polycentric
A polycentric staffing policy in international human resource management involves recruiting host-country nationals to manage local subsidiaries in their own country. In this scenario, a French company promotes an Indian manager to head its Indian operations, demonstrating a commitment to local expertise and market knowledge. This strategy is based on the belief that local managers are better equipped to navigate the unique cultural, legal, and business environments of their host country. While it facilitates local integration and reduces culture shock, it can also present challenges in maintaining a unified global corporate culture and ensuring effective communication with the home country headquarters.

237. (B) Insufficient focus on short-term profits and perceived high costs.
A primary barrier to the successful implementation of green human resource management is the organizational focus on short-term profits, which can conflict with the perceived high costs of sustainable initiatives. Investing in green technology, renewable energy, and eco-friendly facilities often requires significant upfront

NODIA

adjustment and performance in a foreign environment. The most common form of this training focuses on cross-cultural awareness and language skills, helping the individual and their family understand the local customs, social cues, and business practices of the host country. By addressing the potential for culture shock and communication barriers, this preparation significantly reduces the risk of expatriate failure and ensures that the employee can build productive relationships and achieve the strategic goals of the international assignment for the organization.

227. (A) Green Rewards and Recognition
Implementing a "Green Employee of the Month" award is a classic example of green rewards and recognition, designed to encourage and acknowledge environmental sustainability efforts among the workforce. By formalizing this appreciation, the organization reinforces the importance of ecological responsibility and motivates staff to innovate for resource efficiency and waste reduction. This practice helps build a green corporate culture where sustainable behaviors are valued alongside traditional performance. Recognizing these contributions signal to all employees that environmental stewardship is a key part of the organization's core values, ultimately contributing to its broader corporate social responsibility and sustainability goals.

228. (B) Vertical fit
Vertical fit, also known as strategic integration, refers to the deliberate alignment of an organization's human resource policies and practices with its broader business strategy and long-term goals. This ensures that every HR function—such as talent acquisition, development, and compensation—directly supports the achievement of the firm's vision. When high vertical fit is achieved, the workforce becomes a primary driver of competitive advantage. This strategic alignment is a cornerstone of modern HR management, allowing the organization to better navigate market challenges and ensure that human capital investments are properly targeted for maximum organizational impact and success.

229. (B) Describes past performance or an outcome.
In the balanced scorecard framework, a lag indicator is a performance measure that reports on events that have already occurred, providing information about past outcomes. Common examples include financial metrics like total revenue, profit, or market share, as well as final results like employee turnover rates. While lag indicators are essential for evaluating overall success and identifying trends, they do not provide information on how to improve future performance. To be effective, management must balance these outcome measures with lead indicators, which focus on the drivers of future success and provide early signals for strategic adjustment and continuous improvement.

230. (C) (ii), (i), (iii), (iv), (v)
The development of a behaviorally anchored rating scale (BARS) follows a rigorous and systematic process to ensure objective performance evaluation. It begins with generating critical incidents of effective and ineffective behaviors, followed by developing specific performance dimensions. These incidents are then scaled and reallocated to ensure they accurately represent each level of performance. Finally, the formal instrument is developed for use in appraisals. While time-consuming, this process creates a powerful tool that provides clear, behavior-based feedback and helps employees understand the exact conduct required for professional success. This structured approach ensures that performance evaluations are fair, objective, and developmentally focused.

231. (B) Humanistic values and employee participation
A key characteristic that distinguishes organization development from other change management approaches is its strong emphasis on humanistic values and active employee participation. OD is based on the belief that individuals should be involved in the changes that affect them, fostering a culture of trust, collaboration, and openness. This participatory approach ensures that change efforts are better accepted and leads to more sustainable improvements in organizational health and effectiveness. By utilizing behavioral science knowledge to address the "human" side of the organization, OD helps build the internal capacity

Downloaded from www.pdf.tube

career in an increasingly unpredictable global economy.

198. (B) It becomes unwieldy and complex when the number of employees is large.
The paired comparison method of performance appraisal involves comparing every employee directly with every other member of their work group to determine who is the better performer. While this method provides a very clear and objective ranking, its primary drawback is that it becomes extremely time-consuming and complex as the size of the team increases. For larger organizations, the number of individual comparisons required can quickly become unmanageable. Despite this limitation, the paired comparison method remains an effective and rigorous tool for differentiating performance and ensuring objectivity within smaller teams and specific high-stakes evaluation scenarios.

199. (A) Organization Development
Organization development is a planned, systematic approach to managing transitions and improving organizational effectiveness through behavioral science knowledge. When a hospital implements a new digital record system and works collaboratively with staff to manage the change, provide training, and address concerns, it is conducting an OD intervention. This process emphasizes the humanistic values of participation and trust to ensure that the transition is sustainable and accepted by those involved. By fostering a culture of collaboration, OD helps organizations adapt to technological changes and improve overall health and performance while ensuring long-term success and excellence.

200. (B) Job Analysis
Job analysis is the foundational HR process of gathering and evaluating detailed information about the specific duties, responsibilities, and requirements of a particular job. This systematic investigation results in two critical documents: the job description, which outlines what the employee does, and the job specification, which defines the human qualifications needed for the role. By understanding the core elements of every position, organizations can effectively manage essential HR functions such as recruitment, training, performance appraisal, and compensation. Job analysis ensures that the workforce is properly aligned with organizational needs and provides a basis for maintaining high performance and efficiency.

201. (B) The perception by some managers that employees who use flexible options are less committed.
A significant challenge in implementing work-life balance policies is the persistence of traditional management perceptions regarding employee commitment. Some managers may believe that those who utilize flexible working options—such as telecommuting or adjustable hours—are less dedicated to their careers than those who follow standard office routines. This stigma can lead to bias in performance appraisals and promotions, ultimately discouraging employees from using the very policies designed to support them. Overcoming this cultural barrier requires leadership commitment to a results-oriented work environment and clear communication that flexibility and commitment are not mutually exclusive in a modern workplace.

202. (C) A broad concept that includes any measures for the comfort and improvement of employees, over and above wages.
Labour welfare is a comprehensive concept that encompasses various voluntary services, facilities, and amenities provided to workers to improve their physical, mental, and social well-being. These initiatives go significantly beyond the mandatory payment of wages and legal health and safety requirements, aiming to enhance the overall quality of life for the workforce. Examples include educational support, recreational activities, and health services. By investing in welfare, organizations foster a more satisfied, healthy, and loyal workforce. This broad commitment to employee well-being contributes to higher morale, reduced turnover, and a more stable and productive industrial environment for the firm.

203. (C) Individual bargaining
Collective bargaining involves various negotiation strategies designed to reach agreements between an employer and a group of employees represented by a union. Common forms include distributive bargaining for fixed resources, integrative bargaining for mutual

NODIA

capital. Managers may be hesitant to commit resources when the financial benefits are long-term or indirect. Overcoming this barrier requires a strategic shift toward valuing sustainability as a source of long-term efficiency and corporate image. Strong leadership commitment and clear communication of the broader strategic advantages of green practices are essential for fostering a truly environmentally conscious and future-ready organizational culture.

238. (B) To link individual and team performance to the organization's strategic goals.
From a strategic perspective, the primary role of a performance management system is to align the contributions of every individual and team with the organization's broader strategic goals. This system involves a continuous process of goal setting, feedback, and development to ensure that employees are working toward the same long-term objectives. By linking individual performance to business outcomes, the organization can better monitor its progress and achieve excellence. This proactive approach transforms performance evaluation into a powerful tool for driving innovation, accountability, and competitive advantage. Strategic performance management ensures that human capital is properly leveraged to achieve the firm's vision and strategic priorities.

239. (C) The skills and competencies they possess and demonstrate.
Competency-based pay is a modern compensation system that rewards employees based on the specific skills, knowledge, and behavioral traits they possess and demonstrate in their work. Unlike traditional pay systems based on job title or seniority, this approach encourages continuous learning and professional development. It ensures that employees are motivated to acquire the specific competencies that drive organizational success and high performance. By linking pay directly to human capital value, organizations can build a more versatile and capable workforce. Competency-based pay helps align employee growth with the organization's strategic needs, fostering a culture that values excellence, expertise, and continuous skill improvement.

240. (C) Holding onto one's accomplishments and potentially acting as a mentor.
The maintenance stage of a career is a period of relative stability where a professional focuses on protecting and consolidating their existing accomplishments. During this phase, individuals often take on less vertical promotion but seek to maintain their high level of performance and expertise. They frequently serve as valuable mentors, sharing their organizational knowledge and wisdom with less experienced colleagues. This stage is essential for both the individual, who seeks to maintain professional relevance, and the organization, which benefits from the steady contributions and guidance of its senior members. Successful navigation of this stage ensures long-term career fulfillment and contributes to overall organizational stability.

241. (A) Both A and R are true and R is the correct explanation of A.
Performance appraisal can often be a source of stress and anxiety for employees because it directly affects their career growth and compensation. If the appraisal process is perceived as unfair, biased, or lacking in clear benchmarks, it can lead to demotivation and conflict rather than professional development. This highlight the critical importance of creating a transparent, objective, and behaviorally grounded evaluation system. Managers must be trained to provide constructive feedback and ensure that the process is focused on growth and future performance. By prioritizing fairness and clarity, organizations can transform appraisal into a positive experience that enhances employee commitment and drives excellence.

242. (B) A techno-structural intervention focusing on employee participation in problem-solving.
A quality circle is a techno-structural intervention in organization development that involves a small group of employees who meet regularly to identify and solve work-related problems within their department. This approach emphasizes employee participation and the integration of task improvement with behavioral change. By empowering the workforce to contribute to quality and efficiency, quality circles foster a sense of ownership and collaboration. This intervention not only improves operational

Click Here to Buy book on Amazon

performance but also enhances employee morale and engagement. It is a powerful tool for building a culture of continuous improvement and demonstrating the value of employee insights in achieving organizational excellence and sustainability.

243. (C) The choice between hiring talent from outside the organization ('buy') or developing it internally ('build').
The "buy vs. build" decision is a fundamental strategic choice in talent management regarding how an organization acquires the human capital it needs. "Buying" talent involves recruiting experienced professionals from the external labor market to fill immediate gaps, while "building" talent focuses on developing internal employees through training and succession planning for future roles. Each approach has its own costs and benefits; external hiring provides fresh perspectives but can be expensive, whereas internal development builds loyalty and culture but takes longer. A balanced talent strategy typically involves both methods to ensure a consistently strong and versatile workforce capable of achieving the firm's strategic vision.

244. (B) Work-life balance and digital burnout
A "right to disconnect" policy is a modern HR initiative designed to address the challenges of digital burnout and maintain a healthy work-life balance in a highly connected world. By allowing employees to not respond to work-related communications outside of office hours, the organization helps them manage the boundaries between their professional and personal lives. This policy reduces stress and allows for necessary rest and recovery, which are essential for long-term productivity and well-being. By respecting employees' personal time, organizations can foster a more loyal and energized workforce, ultimately improving retention and maintaining a high-performing and healthy corporate culture.

245. (C) A company-sponsored scholarship for employees' children.
Non-statutory or voluntary labor welfare refers to the various benefits and facilities provided by an employer that are not legally mandated by national labor laws. These initiatives, such as company-sponsored scholarships for employees' children or additional recreational programs, demonstrate a deep commitment to the well-being of the workforce beyond basic requirements. By providing these voluntary benefits, organizations enhance their reputation as an employer of choice and foster higher levels of employee loyalty and satisfaction. Unlike statutory welfare, which focuses on basic health and safety, voluntary welfare focuses on the broader personal and social development of employees and their families, contributing to overall organizational health.

NODIA

246. (D) All of the above
Trade unions are essential organizations in the industrial relations landscape, functioning as voluntary associations created by workers to protect their economic and social interests. These groups engage in collective bargaining to negotiate better wages and conditions while operating within a legal framework established by national labor laws. By providing a unified voice for the workforce, unions ensure that employee rights are respected and that management remains accountable. Their multifaceted role includes representation in grievance procedures, legal advocacy, and the provision of various member welfare services. This collective representation is fundamental to maintaining a balanced and fair relationship between labor and management within the industry.

247. (B) Poor cross-cultural adjustment of the expatriate and their family.
The most common reason for the high failure rate of international assignments is the difficulty expatriates and their families face in adjusting to the cultural and social environment of the host country. This poor cross-cultural adjustment can lead to personal stress, decreased job performance, and a premature return to the home country. Such failures are extremely costly for organizations and can damage an individual's career path. To mitigate this risk, HR departments must provide rigorous selection processes that assess cultural intelligence, along with comprehensive pre-departure training and ongoing support systems to help employees and their families successfully transition to their new international roles and environments.

248. (A) People, Planet, Profit
The "3 P" approach, also known as the Triple Bottom Line, is a central concept in sustainable business and green human resource management. It emphasizes that an organization's success should be measured not just by its financial profit, but also by its impact on people (social responsibility) and the planet (environmental stewardship). In an HR context, this involves developing policies that promote employee well-being, social equity, and environmentally sustainable practices. By balancing these three dimensions, organizations can achieve long-term sustainability and excellence, building a strong reputation for corporate social responsibility and contributing to both global environmental preservation and the overall health of the workforce and society.

249. (B) Cost Leadership
A cost leadership strategy focuses on achieving the lowest operational costs in an industry to offer competitive pricing and maximize profit margins. When an HR strategy is focused on cost reduction through efficiency, automation, and minimizing labor costs, it is directly aligned with this business goal. HR supports cost leadership by optimizing workforce productivity, reducing turnover, and implementing lean management practices. This alignment, known as vertical fit, ensure that every people management initiative contributes to the organization's overall strategic objective of being the most efficient producer in the market. Successfully managing this integration is essential for maintaining competitive advantage and long-term financial stability.

250. (A) P-4, Q-2, R-1, S-3
Performance appraisal systems are often susceptible to various psychological biases that can compromise the accuracy of employee evaluations. The halo effect involves generalized positive ratings based on one positive trait, while the horn effect does the opposite with negative traits. Central tendency occurs when managers avoid extreme scores by rating everyone as average, and the recency effect gives undue weight to an individual's most recent actions, whether positive or negative. Recognizing these errors is essential for ensuring fair and objective assessments. Organizations can mitigate these biases through proper appraiser training and by using objective, behaviorally grounded criteria for every employee evaluation, fostering trust and a culture of high performance.

251. (B) An alignment of HR practices with the overarching business strategy.
Modern human resource management has evolved into a strategic partner within organizations. This shift moves away from purely administrative tasks toward integrating human resource policies directly with the broader business strategy. By aligning workforce management with organizational goals, the department ensures that employee practices actively support and drive the execution of the firm's overall strategic plan.

252. (A) By cultivating a workforce with capabilities that support the company's strategic plan.
Strategic human resource management contributes to long-term success by developing a workforce that possesses the specific skills needed to execute an organization's strategic vision. This alignment creates a unique and valuable human asset that is difficult for competitors to replicate. Systematic workforce cultivation ensures that human capital directly supports the achievement and maintenance of a sustainable market advantage.

253. (C) From a support service to a critical business function.
The perception of human resource management has undergone a significant transformation in the modern business era. Previously viewed as a secondary support service focused on paperwork, it is now recognized as a critical business function. This evolution highlights the department's role in strategic decision-making and its direct impact on organizational effectiveness, profitability, and overall market position.

254. (D) Scanning the environment and identifying strategic business issues.
The strategic human resource management process follows a systematic sequence to ensure effective organizational alignment. It begins with environmental scanning and the identification of strategic business issues. This initial step provides the necessary context for formulating

NODIA

appropriate strategies, implementing specific policies, and evaluating their success. Starting with analysis ensures that the human resource plan addresses actual business needs.

255. (C) Developing core competencies and managing talent.
To translate broad organizational goals into actionable objectives, human resource management focuses on developing core competencies and managing talent effectively. This involvement identifying the specific skills required for success and fostering a culture that promotes innovation. By concentrating on high-level talent development, the organization builds the internal capacity necessary to meet its strategic targets and improve overall performance.

256. (B) To identify the key attributes required for successful job performance.
Competency mapping serves as a systematic process to identify the specific knowledge, skills, and behaviors required for success in specific organizational roles. By creating a detailed blueprint of excellence, the process provides a framework for various human resource activities. This identification of essential attributes helps in selecting, training, and managing employees to ensure high levels of professional performance.

257. (D) Align day-to-day work with the strategic vision of the organization.
The Balanced Scorecard functions as a strategic management system designed to align daily operational activities with the overall vision of the organization. It provides a comprehensive framework that looks beyond simple financial metrics to include customer, process, and growth perspectives. This alignment ensures that every level of the organization works toward the same long-term strategic objectives and mission.

258. (A) The learning and growth perspective.
The strongest connection between the Balanced Scorecard and competency mapping occurs within the learning and growth perspective. This specific area of the framework focuses on enhancing an organization's intangible assets, particularly human capital. By integrating competency requirements into this perspective, organizations ensure that employee skill development is strategically measured and remains relevant to the company's long-term growth objectives.

259. (C) The organization's intangible assets like human capital and culture.
Within the Balanced Scorecard framework, the learning and growth perspective emphasizes the importance of an organization's intangible assets. This primarily includes human capital, organizational culture, and the supporting infrastructure. By focusing on these elements, the system identifies how employee capabilities and motivation contribute to success. This perspective ensures that the organization invests in the people and systems necessary for sustainability.

260. (A) The BSC's learning and growth objectives can guide the focus of competency mapping.
Competency mapping and the Balanced Scorecard are complementary tools that work together to drive organizational performance. The objectives established in the learning and growth perspective of the scorecard provide direction for competency mapping efforts. This relationship ensures that the identification and development of employee skills are directly informed by the strategic needs and measurement criteria of the organization.

261. (D) Career planning is an individual process, while career development is an organizational process.
Career planning and career development represent two different perspectives within the same overarching process. Career planning is an individual-centric, introspective journey where employees identify personal goals and interests. In contrast, career development is an organizational process consisting of systematic activities designed to align those individual aspirations with current and future workforce needs, ensuring mutual growth.

262. (B) To ensure a ready supply of internal candidates for future critical roles.
A primary goal of organizational career development is the implementation of effective succession planning. This process creates a pipeline of qualified internal candidates who are prepared to fill critical leadership and specialized roles in the future. By developing current employees, the organization ensures it has the

Downloaded from www.pdf.tube

necessary talent available internally to meet strategic goals without relying solely on external recruitment.

263. (C) Symbiotic, where individual ambitions are aligned with organizational needs.
The relationship between individual career planning and organizational career development is fundamentally symbiotic. This framework aligns personal ambitions with the long-term strategic needs of the company, creating a mutually beneficial environment. When employees see a viable future and growth opportunities within the organization, their personal goals support corporate objectives. This alignment leads to sustained growth for both the individual and enterprise.

264. (D) The implementation of a formal mentoring program.
Organizational career development involves structured activities initiated by the company to enhance employee growth and alignment. Formal mentoring programs serve as a prime example of these initiatives, providing guidance and knowledge transfer from experienced staff. These programs, along with job rotation and coaching, represent the practical steps organizations take to build a more capable workforce and support individual career progression.

265. (A) Enhanced employee loyalty and a reduction in turnover.
Investing in robust career development programs yields significant benefits for an organization, particularly regarding its workforce stability. These initiatives foster greater employee loyalty by demonstrating a commitment to the staff's professional growth and future. Consequently, organizations often experience a marked reduction in turnover rates. Engaged employees who see clear career paths are more likely to remain with the company longer.

266. (B) Performance management is a continuous process, while appraisal is a discrete event.
Performance management is defined as a holistic and ongoing process intended to create an environment where employees can perform effectively. It is distinct from performance appraisal, which is a discrete, periodic event focused on assessment. While the appraisal is a single component within the system, performance management covers the entire cycle of planning, monitoring, and development throughout the working year.

267. (B) Planning, monitoring, reviewing, and rewarding.
The performance management cycle consists of a systematic series of stages designed to align employee efforts with organizational goals. It begins with planning and goal setting, followed by the continuous monitoring of progress and feedback. The process then moves to a formal review of performance, often through an appraisal. Finally, the cycle concludes with rewarding employees based on their achievements.

268. (A) Identify employee strengths and weaknesses for training purposes.
Performance appraisals serve two primary functions within an organization. The developmental objective focuses specifically on identifying the unique strengths and weaknesses of each employee. This assessment provides data to guide future training initiatives and career development plans. By understanding where an employee currently stands, the organization can provide targeted support to enhance their skills and professional growth over time.

NODIA

269. (C) Make a decision regarding an employee's promotion.
Administrative objectives of performance appraisal involve using evaluation data to make objective personnel decisions. This includes determining appropriate pay raises, identifying candidates for promotion, and handling issues related to terminations. Unlike developmental goals, these tasks focus on the organizational management of the workforce. The appraisal provides a formal, documented basis for ensuring that such critical employment decisions are fair and performance-based.

270. (D) It fosters a culture of ongoing improvement and shared responsibility.
Treating performance management as a continuous process rather than a one-time event creates a culture of ongoing improvement. This approach encourages open communication between managers and staff always. It also shifts the perspective of performance into a shared

CHAPTER 04
Accounting and Financial Management

1. Which of the following best defines 'Accounting Principles'?
(A) They are rigid financial rules that must be strictly followed without any deviation in all situations.
(B) They are general guidelines and ground rules for accounting practices and preparation of financial statements.
(C) They are specific suggestions made by the government for calculating various business tax liabilities.
(D) They are standard conventions used primarily for the accurate preparation of the internal cost sheet.

2. Read the following statements and select the correct answer:
Statement I: The preparation of a Funds Flow Statement is mandatory for all companies.
Statement II: A Funds Flow Statement is based on the concept of working capital.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

3. Which of the following is an example of an activity classified under 'Financing Activities' in a Cash Flow Statement?
(A) Purchase of machinery for cash.
(B) Sale of goods for cash.
(C) Redemption of debentures by paying cash.
(D) Payment of salaries to employees.

4. Match the items in List-I with the appropriate ratio category in List-II.
List I: (Ratio)
P. Current Ratio
Q. Debt-Equity Ratio
R. Gross Profit Ratio
S. Stock Turnover Ratio
List II: (Category)
1. Profitability Ratio
2. Solvency Ratio
3. Activity Ratio
4. Liquidity Ratio
Codes:
(A) P-4, Q-2, R-1, S-3
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-1, R-2, S-3
(D) P-2, Q-4, R-1, S-3

5. The concept that requires a business to be treated as a separate entity from its owners is known as the:
(A) Going Concern Concept
(B) Money Measurement Concept
(C) Business Entity Concept
(D) Duality Concept

6. Which of the following statements regarding the preparation of financial statements is incorrect?
(A) The Balance Sheet shows the financial position of a company at a specific point in time.
(B) The Cash Flow Statement is an alternative to the Profit and Loss Account.
(C) The Profit and Loss Account reveals the financial performance over a period of time.
(D) Financial statements are prepared based on accepted accounting principles.

7. A company with a high degree of operating leverage will experience:
(A) A less than proportionate change in EBIT for a given change in sales.
(B) A stable EBIT regardless of any major or minor changes in sales.
(C) A direct proportionate change in EPS for a given change in sales.
(D) A more than proportionate change in EBIT for a given change in sales.

8. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R):
Assertion (A): Zero-Base Budgeting (ZBB) is

Click Here to Buy book on Amazon

training, upskilling, or recruitment strategies to ensure the staff has the capabilities necessary for success.

279. (C) Training employees for new roles within the organization (reskilling).
In the context of talent management, skill development involves systematic efforts to enhance the capabilities of the workforce. This includes reskilling, which is the process of training employees for new roles within the organization. By providing such targeted development opportunities, the company can adapt to changing business needs and technological shifts. This approach ensures that employees remain valuable assets even as job requirements evolve.

280. (D) The creation of a sustainable leadership pipeline.
A primary outcome of effective talent management and skill development is the creation of a sustainable leadership pipeline. By identifying high-potential individuals and providing them with tailored growth opportunities, the organization ensures a steady supply of future leaders. This proactive planning enhances organizational agility and prepares the company for long-term success by securing internal talent for critical executive roles.

281. (A) The employee's emotional and intellectual commitment to organizational goals.
Employee engagement is defined as the level of emotional and intellectual commitment an individual has toward their organization and its goals. It goes beyond job satisfaction or happiness. An engaged employee is deeply passionate about their work and is motivated to contribute to the company's success. This commitment manifests as a proactive attitude and a strong desire to help the organization thrive.

282. (B) Willingness to invest discretionary effort in their work.
A key indicator of a highly engaged employee is their willingness to invest discretionary effort into their work. This means they are prepared to go above and beyond their job requirements to ensure high-quality outcomes. Engaged individuals demonstrate a proactive commitment to the company's reputation and success, often suggesting improvements and taking initiative without being asked to do so by their management.

283. (B) A healthy work-life balance is a significant driver of employee engagement.
The relationship between work-life balance and employee engagement is positive and interconnected. A healthy work-life balance serves as a significant driver of engagement within the workforce. When employees feel they can effectively manage both professional duties and personal interests, they are more likely to demonstrate higher levels of commitment and passion for their work. This equilibrium is essential for sustaining long-term performance.

284. (A) Offering flexible working hours to employees.
Organizations promote work-life balance by implementing supportive policies that provide employees with greater flexibility. Offering flexible working hours is a primary example of such an initiative, allowing individuals to adjust their schedules to accommodate personal responsibilities. Other policies include telecommuting options and generous leave provisions. These practices demonstrate respect for an employee's time outside of work, ultimately boosting morale and engagement.

285. (C) It is essential for attracting talent and sustaining engagement.
Promoting work-life balance is considered a strategic imperative because it is essential for attracting top talent in a competitive market. It also plays a vital role in reducing employee burnout and sustaining high levels of engagement over time. Organizations that prioritize this balance are better positioned to retain their workers and maintain a productive, high-performing workforce that can achieve long-term success.

286. (D) A grievance is typically individual, while an industrial dispute involves a group of workers.
The primary distinction between a grievance and an industrial dispute lies in the scope and number of employees involved. A grievance is typically an individual employee's formal complaint regarding a feeling of injustice or dissatisfaction in their specific employment. In contrast, an industrial dispute is a broader disagreement

NODIA

responsibility, where both parties are actively involved in success. This sustained engagement ensures that strategic alignment and professional development remain constant priorities.

271. (C) Knowledge derived from the behavioral sciences.
Organization Development is a planned effort to increase organizational effectiveness by applying systematic knowledge. Its core foundation lies in the behavioral sciences, which provide insights into human behavior within social systems. By using these principles, OD focuses on long-range initiatives to improve problem-solving and renewal processes. This basis ensures that interventions are grounded in an understanding of how people and groups interact.

272. (B) Managing planned change in a systematic way.
A primary characteristic of Organization Development is its emphasis on managing planned change systematically. This approach distinguishes OD from reactive or unmanaged adaptations to external pressures. By following a structured process of diagnosis, planning, and intervention, the organization can proactively shape its future. This focus on intentional change helps build a more adaptive culture capable of navigating complex challenges.

273. (D) A structured activity designed to improve organizational performance.
An OD intervention refers to a set of structured activities designed to help an organization improve its overall health and performance. These interventions are tailored based on the findings of a diagnostic phase. They can be applied at various levels, targeting individuals, groups, or the entire organizational structure. The primary goal is to facilitate positive change and enhance the effectiveness of organizational processes.

274. (A) Team-building exercises.
Organization Development utilizes various interventions to address specific needs within a company. Team-building exercises are an example, focusing on improving group dynamics and collaboration among employees. Other examples include survey feedback and process consultation. These activities are designed to help the organization examine its own processes and implement changes that lead to better performance and a healthier work environment.

275. (C) To build the organization's internal capacity for continuous improvement.
The overarching goal of Organization Development extends beyond implementing a single, isolated change. It aims to build the organization's internal capacity for self-renewal. By fostering a more resilient and adaptive culture, OD ensures that the organization can effectively handle future challenges. This long-term focus creates a sustainable environment where the business continuously evolves to maintain its effectiveness and viability.

276. (A) That an organization's long-term success depends on the quality of its people.
Talent management is built upon the central premise that the long-term success of an organization is fundamentally dependent on the quality of its people. By viewing employees as a critical portfolio of assets, the strategy focuses on attracting and retaining high-caliber individuals. This comprehensive approach recognizes that human capital is the primary driver of organizational performance, agility, and competitiveness.

277. (D) It operates as a holistic and integrated system rather than in silos.
Talent management differs from traditional human resource functions by operating as a holistic and integrated system. While traditional HR often works in siloed departments, talent management creates a unified strategy for attracting, developing, and retaining employees. This proactive approach ensures that workforce-related activities are coordinated to meet business needs, rather than functioning as a series of disconnected administrative or reactive tasks.

278. (B) The discrepancy between the skills needed and the skills available in the workforce.
A skill gap represents the discrepancy between the specific skills an organization requires to meet its objectives and the skills currently possessed by its workforce. Identifying these gaps is a crucial step in the talent management process. By recognizing where deficiencies exist, the organization can implement targeted

Downloaded from www.pdf.tube

collaborative effort, leading to more equitable outcomes and a more democratic environment.

295. (C) The set of rules established by a collective bargaining agreement.
The term 'law of the job' refers to the set of rules and standards established through a collective bargaining agreement. These rules govern the daily operations and employment conditions within a specific workplace. Because the agreement is legally binding and jointly determined, it serves as the primary regulatory framework for both management and employees, effectively replacing informal practices with formalized, agreed-upon procedures.

296. (D) Navigating complexities across different national contexts.
A primary challenge in international human resource management is navigating the various complexities that arise across different national contexts. This includes managing significant differences in culture, legal frameworks, and economic conditions. Organizations must adapt their strategies to operate effectively in diverse environments while managing a global workforce. Understanding these multifaceted external factors is essential for making successful human resource decisions internationally.

297. (A) International HRM.
The strategic dilemma between standardizing human resource practices globally for consistency and adapting them locally for cultural sensitivity is a central choice in International HRM. Organizations must decide whether to maintain uniform policies across all borders or customize them to fit specific host-country requirements. This decision impacts operational efficiency and the effectiveness of employee management within countries where the company operates.

298. (B) Using HR policies to promote environmental sustainability.
Green HRM refers to the strategic use of human resource policies and practices to promote environmental sustainability within an organization. It involves fostering a culture that values the sustainable use of resources and encourages environmentally friendly behaviors. By integrating environmental goals into traditional HR functions, companies demonstrate their commitment to corporate social responsibility while aiming to reduce their overall impact on the environment.

299. (B) Linking rewards to the achievement of environmental goals.
Green HRM involves 'greening' traditional human resource functions to support sustainability. An example mentioned is linking performance management and rewards to the achievement of environmental goals. This practice incentivizes employees to prioritize resource conservation and eco-friendly initiatives in their daily work. Other examples include implementing green recruitment criteria and providing training focused on environmental awareness and responsibility within the organizational culture.

300. (A) International Human Resource Management.
The management of expatriates, which includes their selection, cross-cultural training, compensation, and eventual repatriation, is a significant and complex task within International Human Resource Management. This process ensures that employees sent to work in foreign locations are well-prepared for the challenges of a different cultural environment. Effective expatriate management is crucial for the success of international assignments and organizational global strategy.

NODIA

involving a group of workers, often centered on collective issues like wages.

287. (C) Resolve individual employee complaints to prevent escalation.
The fundamental purpose of a grievance management system is to resolve individual employee complaints promptly and fairly. By establishing a formal, systematic process for handling dissatisfaction, the organization can address issues before they escalate into conflicts. This proactive approach helps maintain a positive work environment, prevents minor problems from becoming major disruptions, and ensures that employees feel heard and respected.

288. (B) The provision of amenities and facilities by the employer.
Labour welfare refers to the provision of various amenities and facilities by an employer to improve the working and living conditions of their staff. Examples include the availability of canteens, housing assistance, and recreational clubs. These measures are designed to enhance the well-being of employees beyond their basic wages. By investing in welfare, organizations foster a more satisfied, healthy, and productive workforce.

289. (D) Social security.
Benefits such as maternity leave, disability protection, and old-age pensions fall under the category of social security. This refers to state-guaranteed or employer-provided protection for workers against various life contingencies and risks. These schemes ensure that employees have financial support during times of sickness, unemployment, or retirement. Social security provides a safety net that contributes to the long-term stability of workers.

290. (A) To contribute to a stable and harmonious industrial environment.
The collective goal of grievance management, labour welfare initiatives, and social security provisions is to establish a stable and harmonious industrial environment. These measures work together to resolve conflicts, improve employee well-being, and provide financial safety. By addressing both the professional and personal needs of the workforce, organizations can reduce tension and build a productive relationship between employers and employees.

291. (C) To act as a collective voice to protect and further workers' interests.
A trade union functions as an organized association of workers created to protect and further their collective rights and interests. It serves as a unified voice for employees, addressing the power imbalance that exists during individual negotiations with an employer. By acting together, union members can more effectively advocate for better wages, improved working conditions, and fairer treatment throughout their employment.

292. (A) An employer and a representative group of employees.
Collective bargaining is a formal process of negotiation between an employer and a representative group of employees, typically a trade union. The objective is to determine the mutually agreed-upon terms and conditions of employment for the workforce. This joint decision-making process ensures that workers have a say in their environment and benefits, rather than having terms dictated solely by the management.

293. (D) A legally binding contract covering terms of employment.
The successful conclusion of the collective bargaining process results in a collective bargaining agreement. This is a legally binding contract between the employer and the union that outlines terms of employment, such as wages, hours, and benefits. By establishing these rules formally, the agreement provides a clear framework for the employment relationship and helps prevent future disputes by setting predictable standards.

294. (B) Replacing individual negotiations with a unified, joint process.
Collective bargaining addresses the inherent power imbalance in workplaces by replacing individual, disparate negotiations with a unified, joint process. When employees negotiate as a single collective body through a trade union, they possess significantly more influence than they would alone. This shift ensures that the determination of workplace rules is a

Click Here to Buy book on Amazon

particularly suitable for discretionary cost areas.
Reason (R): ZBB forces managers to justify every rupee of the proposed expenditure as if their programs were being initiated for the first time.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

9. In CVP analysis, the term 'Margin of Safety' refers to:
(A) The excess of fixed cost over contribution.
(B) The difference between standard cost and actual cost.
(C) The excess of actual or budgeted sales over the break-even sales.
(D) The difference between selling price and variable cost per unit.

10. Which statement best describes the DuPont analysis?
(A) It decomposes Return on Equity into profitability, asset efficiency, and financial leverage.
(B) It is a specific method used to calculate only the Return on Equity without considering debt.
(C) It is used exclusively for analyzing cash flows generated specifically from operating activities.
(D) It focuses solely on the relationship between debt and equity within the capital structure.

11. Given below are several items relating to cost accounting:
(a) Prime Cost
(b) Works Cost
(c) Selling and Distribution Overheads
(d) Interest paid on debentures
Which of the above items are typically included in a Cost Sheet?
(A) (a) and (b) only
(B) (b), (c) and (d) only
(C) All (a), (b), (c) and (d)
(D) (a), (b) and (c) only

12. The primary goal of financial management is generally considered to be:
(A) Maximization of profits.
(B) Maximization of shareholders' wealth.
(C) Maximization of sales revenue.
(D) Minimization of the cost of capital.

13. Which of the following is not a source of long-term finance for a company?
(A) Equity Shares
(B) Debentures
(C) Commercial Paper
(C) Retained Earnings

14. The term 'Cost of Capital' is best defined as:
(A) The specific interest rate paid on long-term debt instruments.
(B) The expected dividend paid to various equity shareholders.
(C) The total historical cost incurred in raising various capitals.
(D) The minimum rate of return a firm must earn to maintain value.

15. Given the following assets:
1. Cash
2. Stock (Inventory)
3. Debtors (Accounts Receivable)
4. Plant and Machinery
Which of the following is the correct sequence of these assets in order of their liquidity as they would typically appear on a balance sheet?
(A) 1, 3, 2, 4
(B) 4, 2, 3, 1
(C) 1, 2, 3, 4
(D) 4, 3, 2, 1

16. Read the following statements and select the correct answer:
Statement I: Standard Costing is a technique used to control costs.
Statement II: Variance analysis is the process of comparing standard costs with actual costs to identify differences.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

17. If a firm's contribution is ₹40,000 and its profit is ₹10,000, what is its fixed cost?
(A) ₹50,000
(B) ₹30,000
(C) ₹10,000

Downloaded from www.pdf.tube

(D) Statement I is false, but Statement II is true.

94. The 'Cost Sheet' serves the purpose of:
(A) Ascertaining the financial position of the company.
(B) Determining the tax liability for a period.
(C) Calculating the cash flow from operations.
(D) Ascertaining the total cost and cost per unit of a product.

95. In DuPont Analysis, the formula for ROE is:
(A) (Net Profit Margin) x (Asset Turnover) x (Equity Multiplier)
(B) (Net Profit / Sales) + (Sales / Total Assets) + (Total Assets / Equity)
(C) (Gross Profit Margin) x (Fixed Asset Turnover)
(D) (Return on Assets) / (Financial Leverage)

96. Which of the following is not a theory of capital structure?
(A) Net Income Approach
(B) Capital Asset Pricing Model
(C) Net Operating Income Approach
(D) Modigliani-Miller Approach

97. An increase in the selling price per unit will result in:
(A) An increase in the break-even point.
(B) A decrease in the break-even point.
(C) A decrease in the P/V ratio.
(D) An increase in fixed costs.

98. The process of preparing a budget typically starts with the preparation of the:
(A) Sales Budget
(B) Cash Budget
(C) Master Budget
(D) Production Budget

99. A 'favourable' variance means that:
(A) Actual cost is higher than standard cost.
(B) Actual revenue is lower than budgeted revenue.
(C) Actual performance is better than standard or budgeted performance.
(D) The standards set were too easy to achieve.

100. A company's operating cycle is a measure used in analyzing:
(A) Long-term solvency.
(B) Profitability.
(C) The capital structure.
(D) Working capital management and liquidity.

101. Given the following characteristics of Accounting Principles:
(a) Objectivity
(b) Feasibility
(c) Rigidity
(d) Relevance
(e) Complexity
Which of the above are key characteristics of Accounting Principles?
(A) (a), (c), and (e) only
(B) (b), (c), and (d) only
(C) (a), (b), and (d) only
(D) (c), (d), and (e) only

102. An operating budget would typically include all of the following EXCEPT:
(A) Sales Budget
(B) Capital Expenditure Budget
(C) Production Budget
(D) Selling & Administrative Expense Budget

103. In the context of a Funds Flow Statement, which of the following is a non-fund or non-operating item?
(A) Sale of machinery for cash
(B) Issue of shares for cash
(C) Payment of tax
(D) Depreciation on fixed assets

104. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R):
Assertion (A): Retained earnings have an implicit or opportunity cost.
Reason (R): If the earnings were distributed to shareholders as dividends, they could have invested them elsewhere to earn a return.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

105. The difference between Sales and Variable Cost is known as:
(A) Gross Profit

NODIA

27. The difference between standard cost and actual cost is known as:
(A) Deviation
(B) Budget
(C) Margin
(D) Variance

28. Given the following business functions:
(a) Investment decisions
(b) Financing decisions
(c) Dividend decisions
(d) Production scheduling
Which of the above functions fall under the purview of Financial Management?
(A) (a) and (b) only
(B) (a), (b) and (c) only
(C) (b), (c) and (d) only
(D) All (a), (b), (c) and (d)

29. What is the effect of an increase in the degree of financial leverage on a firm's risk and return?
(A) It decreases both the risk and the potential return.
(B) It increases the potential return but decreases the risk.
(C) It increases both the risk and the potential return.
(D) It decreases the potential return but increases the risk.

30. The process of budgeting involves:
(A) Forecasting future sales performance.
(B) Managing cash inflows and outflows daily.
(C) Setting standard costs for production lines.
(D) Establishing goals and creating a plan for them.

31. A 'Sales Budget' is best described as:
(A) An estimate of expected sales in terms of quantity and value.
(B) A plan for advertising and promotion expenses.
(C) A statement of cash to be received from customers.
(D) A summary of the cost of goods to be sold.

32. Read the following statements and select the correct answer:
Statement I: Operating leverage arises due to the presence of fixed operating costs in the firm's cost structure.
Statement II: Financial leverage arises due to the presence of fixed financial costs (like interest) in the firm's capital structure.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

33. A Funds Flow statement identifies the changes in:
(A) The cash position between two balance sheet dates.
(B) The net working capital position between two balance sheet dates.
(C) The equity position between two balance sheet dates.
(D) The fixed asset position between two balance sheet dates.

34. Given the following stages of the Zero-Base Budgeting (ZBB) process:
1. Identification of decision units
2. Development and evaluation of decision packages
3. Preparation of budgets based on selected packages
4. Ranking of decision packages
Which of the following is the correct logical sequence of these stages?
(A) 1, 2, 4, 3
(B) 2, 1, 4, 3
(C) 1, 4, 2, 3
(D) 4, 1, 2, 3

35. The Modigliani-Miller (MM) hypothesis, in a world with no taxes, argues that:
(A) The value of a firm is maximized with 100% debt.
(B) The value of a firm is dependent on its capital structure.
(C) The value of a firm is independent of its capital structure.
(D) The cost of equity remains constant with increasing debt.

36. Which of the following is a component of Prime Cost in a Cost Sheet?
(A) Factory Overheads
(B) Office & Administrative Overheads
(C) Selling Overheads
(D) Direct Labour

Click Here to Buy book on Amazon

(D) ₹40,000

18. Given the following cost items:
(a) Cost of Debt (Kd)
(b) Cost of Preference Shares (Kp)
(c) Cost of Equity (Ke)
(d) Cost of Retained Earnings (Kr)
(e) Cost of Goods Sold
Which of the above items are considered while calculating the 'Cost of Capital'?
(A) (a), (b), (c) and (d) only
(B) (a), (b) and (c) only
(C) (b), (c), (d) and (e) only
(D) All (a), (b), (c), (d) and (e)

19. The 'Financial Breakeven Point' is the level of EBIT at which:
(A) The firm's revenue equals its total costs.
(B) The firm's operating profit is zero.
(C) The firm's Earnings Per Share (EPS) is zero.
(D) The firm has no debt in its capital structure.

20. Which capital structure theory argues that there is an optimal capital structure where the Weighted Average Cost of Capital (WACC) is at its minimum?
(A) Net Income (NI) Approach
(B) Net Operating Income (NOI) Approach
(C) Modigliani-Miller (MM) Approach (with taxes)
(D) Traditional Approach

21. Match the cost concepts in List-I with their descriptions in List-II.
List I: (Cost Concept)
P. Marginal Cost
Q. Standard Cost
R. Sunk Cost
S. Opportunity Cost
List II: (Description)
1. A pre-determined or target cost
2. The cost of an alternative that is foregone
3. The additional cost of producing one more unit
4. A cost that has already been incurred and cannot be recovered
Codes:
(A) P-4, Q-2, R-1, S-3
(B) P-3, Q-1, R-4, S-2
(C) P-3, Q-4, R-1, S-2
(D) P-1, Q-3, R-2, S-4

22. Which of the following is an incorrect statement about a Cash Flow Statement?
(A) It reconciles the opening and closing balances of cash and cash equivalents.
(B) Interest received is classified as a financing activity.
(C) Depreciation is added back to net profit when calculating cash flow from operating activities.
(D) It helps in assessing the liquidity and solvency of a firm over a specific period.

23. A company is evaluating two capital structures. The EBIT level at which the EPS is the same for both structures is known as the:
(A) Financial Breakeven Point
(B) Operating Breakeven Point
(C) Optimal Capital Structure Point
(D) Indifference Point

24. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R):
Assertion (A): In Marginal Costing, fixed costs are treated as period costs.
Reason (R): Fixed costs are charged to the Profit and Loss Account of the period in which they are incurred, irrespective of the level of output.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

25. A budget that is prepared for different levels of activity is known as a:
(A) Master Budget
(B) Cash Budget
(C) Flexible Budget
(D) Zero-Base Budget

26. Which of the following ratios is the best measure of a company's ability to meet its immediate short-term obligations?
(A) Quick Ratio (Acid-Test Ratio)
(B) Current Ratio
(C) Debt-to-Equity Ratio
(D) Return on Investment

NODIA

(D) The preparation of budgets, coordination, and taking action based on results.

47. What does a P/V ratio of 40% signify?
(A) For every ₹100 of sales, the contribution is ₹40.
(B) For every ₹100 of sales, the profit is ₹40.
(C) 40% of the sales revenue is fixed cost.
(D) 40% of the total cost is variable cost.

48. A firm has an operating leverage of 2 and a financial leverage of 3. What is its combined leverage?
(A) 5
(B) 6
(C) 1
(D) 1.5

49. Which of the following statements about the Cost of Equity (Ke) is correct?
(A) It is the rate of interest the company pays on its bank loans.
(B) It is the expectation of shareholders regarding the return on their investment.
(C) It is always lower than the Cost of Debt (Kd).
(D) It can be calculated directly from the balance sheet.

50. Given the following sources of finance:
(a) Equity Shares
(b) Debentures
(c) Retained Earnings
(d) Trade Credit
Which of the above statement(s) is/are correct regarding which sources have an explicit cost of capital?
(A) (a) and (b) only
(B) (a), (b) and (c) only
(C) (c) and (d) only
(D) All (a), (b), (c) and (d)

51. Read the following statements and select the correct answer:
Statement I: Ratio analysis is a complete analysis of a company's financial health in itself.
Statement II: Ratios are only meaningful when compared against a standard, such as past ratios or industry averages.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

52. The 'Going Concern' principle assumes that a business will:
(A) Be liquidated in the near future.
(B) Maintain a constant level of profit.
(C) Merge with another company within a year.
(D) Continue to operate for the foreseeable future.

53. An unfavorable material price variance would be caused by:
(A) Paying a lower price for materials than the standard price.
(B) Using more material than the standard quantity allowed for production.
(C) Paying a higher price for materials than the standard price.
(D) Using less material than the standard quantity allowed for production.

54. The master budget is an aggregation of which of the following?
(A) All operating budgets and the cash budget.
(B) All functional or subsidiary budgets and the budgeted financial statements.
(C) The sales budget and the production budget only.
(D) The flexible budget and the zero-base budget.

55. The calculation of the financial breakeven point is most directly related to which of the following?
(A) The level of fixed operating costs.
(B) The company's sales volume.
(C) The contribution margin per unit.
(D) The amount of interest and preference dividend payments.

56. According to the Net Income (NI) approach to capital structure, a higher degree of leverage will:
(A) Decrease the weighted average cost of capital (WACC) and increase the value of the firm.
(B) Increase the weighted average cost of capital (WACC).
(C) Have no effect on the WACC or the value of the firm.

Downloaded from www.pdf.tube

(D) Decrease the cost of equity.

57. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R):
Assertion (A): The issue of bonus shares does not affect the total shareholders' equity.
Reason (R): It is a mere capitalization of reserves and surplus, involving a transfer from one equity account to another.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

58. Which of the following is considered a 'Source of Funds' in a Funds Flow Statement?
(A) Decrease in Working Capital
(B) Purchase of fixed assets
(C) Payment of dividends
(D) Increase in Working Capital

59. The indifference point between two financial plans is calculated by using the:
(A) P/V ratio
(B) Degree of Operating Leverage
(C) Payback period method
(D) EBIT-EPS relationship

60. Arrange the following costs in the order they would appear in a standard Cost Sheet:
1. Cost of Production
2. Works Cost
3. Prime Cost
4. Cost of Sales

Which of the following is the correct sequence?
(A) 1, 2, 3, 4
(B) 3, 2, 1, 4
(C) 3, 1, 2, 4
(D) 2, 3, 1, 4

61. All of the following are limitations of financial statement analysis EXCEPT:
(A) It is based on historical data.
(B) It can be affected by accounting policy changes.
(C) It provides a basis for future forecasting.
(D) It ignores qualitative factors.

62. Which of the following would be classified as a cash flow from 'Investing Activities'?
(A) Cash received from issue of shares.
(B) Cash payment to suppliers for goods.
(C) Cash payment of interest on a loan.
(D) Cash paid to acquire debentures of another company.

63. Given the following statements about Marginal Costing:
(a) It values inventory at marginal cost only.
(b) It treats fixed costs as period costs.
(c) It is primarily used for external financial reporting.
(d) It aids in short-term decision-making like 'make or buy'.
(e) The profit is calculated by deducting fixed costs from total sales.

Which of the above statement(s) is/are correct?
(A) (a), (b) and (d) only
(B) (a), (c) and (e) only
(C) (b), (c) and (d) only
(D) (a), (b) and (e) only

64. What does a Degree of Combined Leverage of 4 imply?
(A) If sales change by 1%, EBIT will change by 4%.
(B) If sales change by 1%, EPS will change by 4%.
(C) If EBIT changes by 1%, EPS will change by 4%.
(D) If sales change by 4%, EPS will change by 1%.

NODIA

65. The primary distinction between Funds Flow Analysis and Cash Flow Analysis is that:
(A) Funds Flow Analysis is mandatory, while Cash Flow Analysis is optional.
(B) Funds Flow Analysis is based on the working capital concept, while Cash Flow Analysis is based on the cash concept.
(C) Funds Flow Analysis considers all transactions, while Cash Flow Analysis considers only cash transactions.
(D) Funds Flow Analysis deals with long-term changes, while Cash Flow Analysis deals with short-term changes.

66. Match the capital structure theories in List-I with their key propositions in List-II.

List I: (Theory)
P. Net Income (NI) Approach
Q. Net Operating Income (NOI) Approach
R. Traditional Approach
S. MM Hypothesis (No Taxes)
List II: (Proposition)
1. Value of the firm is independent of capital structure.
2. Value of the firm increases with leverage up to a point, then decreases.
3. WACC is constant regardless of leverage.
4. Value of the firm increases continuously with leverage.
Codes:
(A) P-4, Q-3, R-2, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-1, R-2, S-3
(D) P-3, Q-4, R-1, S-2

67. A 'Production Budget' is primarily dependent on the:
(A) Cash Budget
(B) Capital Expenditure Budget
(C) Sales Budget
(D) Materials Purchase Budget

68. The cost of retained earnings (Kr) is often considered to be:
(A) Zero, as no direct costs are incurred.
(B) Equal to the cost of debt, as it is an internal source.
(C) The dividend paid to preference shareholders.
(D) An opportunity cost, equivalent to what shareholders could earn on similar investments.

69. In a CVP graph, the break-even point is where:
(A) The total revenue line intersects the variable cost line.
(B) The fixed cost line intersects the total cost line.
(C) The total revenue line intersects the total cost line.
(D) The contribution margin line is at its highest point.

70. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R):
Assertion (A): DuPont analysis provides a deeper insight into a company's performance than just looking at Return on Equity (ROE).
Reason (R): It dissects ROE into profitability, asset efficiency, and financial leverage, allowing analysts to identify the key drivers of performance.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

71. Which of the following is an example of a financial decision made by a finance manager?
(A) Deciding on the product marketing strategy.
(B) Setting the production schedule for the next quarter.
(C) Hiring new employees for the R&D department.
(D) Determining the appropriate mix of debt and equity.

72. A negative or adverse variance in standard costing indicates that:
(A) Actual cost is more than standard cost.
(B) Actual cost is less than standard cost.
(C) Actual performance is better than standard performance.
(D) Standard cost needs to be revised downwards.

73. Given the following ratios:
(a) Current Ratio
(b) Gross Profit Ratio
(c) Quick Ratio
(d) Debt-Equity Ratio
Which of the above statement(s) is/are correct regarding which are considered liquidity ratios?
(A) (a) and (d) only
(B) (b) and (c) only
(C) (a) and (c) only
(D) (c) and (d) only

74. If fixed costs are ₹20,000 and the P/V ratio is 25%, the break-even point in sales value is:
(A) ₹80,000
(B) ₹5,000
(C) ₹20,000
(D) ₹100,000

Click Here to Buy book on Amazon

37. The 'Profit Volume (P/V) Ratio' is calculated as:
(A) (Fixed Cost / Sales) x 100
(B) (Profit / Sales) x 100
(C) (Contribution / Sales) x 100
(D) (Contribution / Fixed Cost) x 100

38. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R):
Assertion (A): A high Debt-Equity ratio indicates a high degree of risk.
Reason (R): A high proportion of debt in the capital structure means higher fixed interest payments, increasing the financial burden on the firm.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

39. In variance analysis, a 'Labour Efficiency Variance' arises due to the difference between:
(A) Standard labour rate and actual labour rate.
(B) Standard output and actual output.
(C) Budgeted labour cost and actual labour cost.
(D) Standard hours for actual output and actual hours worked.

40. Which of the following transactions would result in an increase in working capital and be shown as a 'Source of Funds'?
(A) Issue of shares for cash.
(B) Purchase of machinery on credit.
(C) Payment to creditors.
(D) Redemption of debentures.

41. Given the following features of Zero-Base Budgeting (ZBB):
(a) It starts from the previous year's budget level.
(b) It requires justification for all proposed expenditures.
(c) It links budgeting to corporate objectives.
(d) It focuses on 'decision packages'.
(e) It is less time-consuming than traditional budgeting.
Which of the above are correct characteristics of Zero-Base Budgeting (ZBB)?
(A) (a), (c) and (e) only
(B) (a), (b) and (c) only
(C) (b), (c) and (d) only
(D) (c), (d) and (e) only

42. The term 'EBIT' in financial analysis stands for:
(A) Earnings Before Interest and Tax
(B) Equity Before Interest and Tax
(C) Earnings Before Investment and Treasury
(D) Effective Bank Interest Rate

NODIA

43. Which of the following is not a component of the DuPont analysis formula for ROE?
(A) Net Profit Margin
(B) Asset Turnover
(C) Financial Leverage (Equity Multiplier)
(D) Current Ratio

44. Match the financial concept in List-I with its description in List-II.
List I: (Concept)
P. Operating Leverage
Q. Financial Leverage
R. Combined Leverage
S. Financial Breakeven Point
List II: (Description)
1. Use of fixed-interest bearing funds
2. Level of EBIT where EPS is zero
3. Use of fixed operating costs
4. The product of Operating and Financial Leverage
Codes:
(A) P-1, Q-3, R-2, S-4
(B) P-3, Q-1, R-4, S-2
(C) P-3, Q-2, R-4, S-1
(D) P-4, Q-1, R-2, S-3

45. From the perspective of marginal costing, which cost is most relevant for a make-or-buy decision?
(A) Total Cost
(B) Fixed Cost
(C) Differential Cost
(D) Sunk Cost

46. 'Budgetary Control' is a system of controlling costs which includes:
(A) The systematic preparation of various departmental budgets only.
(B) The comparison of actual results with pre-set budgeted figures only.
(C) The detailed analysis of variances occurring during the period only.

the value of the unlevered firm due to the tax shield on debt.

85. A low inventory turnover ratio may indicate:
(A) Efficient inventory management.
(B) High sales volume.
(C) Obsolete or slow-moving stock.
(D) Frequent stock-outs.

86. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R):
Assertion (A): In a Cash Flow Statement, purchase of a fixed asset is shown as an outflow under investing activities.
Reason (R): Investing activities include the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

87. Which of the following is a primary function of financial management?
(A) Recruitment of personnel
(B) Procurement of raw materials
(C) Management of public relations
(D) Allocation of funds to various assets

88. The break-even point in units is calculated by:
(A) Fixed Costs / Contribution per unit
(B) Fixed Costs / P/V Ratio
(C) Fixed Costs / Selling Price per unit
(D) Total Sales / P/V Ratio

89. Match the term in List-I with its relevant description in List-II.
List I: (Term)
P. Cost Volume Profit Analysis
Q. Standard Costing
R. Marginal Costing
S. Budgetary Control
List II: (Description)
1. A technique of cost ascertainment and control
2. The study of the relationship between costs, volume, and profit
3. A system for controlling costs through budgets
4. A costing technique where only variable costs are charged to cost units
Codes:
(A) P-2, Q-1, R-4, S-3
(B) P-1, Q-2, R-3, S-4
(C) P-2, Q-4, R-1, S-3
(D) P-3, Q-1, R-4, S-2

90. All of the following are types of budgets EXCEPT:
(A) Variance Budget
(B) Sales Budget
(C) Production Budget
(D) Cash Budget

91. Given the following limitations of Ratio Analysis:
(a) It suffers from the problem of window dressing.
(b) It does not consider price level changes.
(c) Comparison is difficult if firms follow different accounting policies.
(d) It provides a definitive conclusion about the firm's health.
Which of the above statement(s) is/are correct?
(A) (a) and (b) only
(B) (c) and (d) only
(C) (a), (b), (c) and (d)
(D) (a), (b) and (c) only

92. The financial breakeven point can be defined as the level of:
(A) Sales where the company earns zero profit.
(B) EBIT required to cover fixed financial charges.
(C) EBIT where the degree of operating leverage is 1.
(D) Sales where contribution equals fixed costs.

93. Read the following statements and select the correct answer:
Statement I: Combined leverage measures the total risk of the firm.
Statement II: Combined leverage is the product of the degree of operating leverage and the degree of financial leverage.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.

NODIA

75. What is the fundamental principle of Zero-Base Budgeting?
(A) To increment the previous year's budget by a fixed percentage.
(B) To create a budget that remains fixed regardless of the activity level.
(C) To focus only on the variable costs in the budgeting process.
(D) To start the budget from a zero base, justifying every expenditure.

76. Read the following statements and select the correct answer:
Statement I: The cost of debt is typically lower than the cost of equity.
Statement II: Debt holders bear less risk than equity shareholders and interest payments are tax-deductible.
(A) Both Statement I and Statement II are true, and Statement II is the correct explanation of Statement I.
(B) Both Statement I and Statement II are true, but Statement II is not the correct explanation of Statement I.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

77. The term 'Leverage' in finance refers to the:
(A) Use of borrowed funds to increase profitability.
(B) Ratio of current assets to current liabilities.
(C) Use of fixed costs to magnify returns to shareholders.
(D) Total assets of the firm.

78. The EBIT-EPS analysis is a tool used for:
(A) Evaluating investment proposals.
(B) Analyzing the liquidity position of the firm.
(C) Setting the credit policy for customers.
(D) Examining the effect of different financing plans on earnings per share.

79. The financial statement that shows a company's assets, liabilities, and equity at a specific point in time is the:
(A) Balance Sheet
(B) Profit and Loss Statement
(C) Cash Flow Statement
(D) Funds Flow Statement

80. A material usage variance is calculated as:
(A) (Standard Price - Actual Price) x Actual Quantity
(B) (Standard Quantity - Actual Quantity) x Standard Price
(C) (Standard Quantity - Actual Quantity) x Actual Price
(D) (Standard Price - Actual Price) x Standard Quantity

81. Consider the following sources of finance:
1. Retained Earnings
2. Equity Shares (New Issue)
3. Debentures
4. Preference Shares

Which of the following is the correct sequence of these sources in descending order of their typical cost?
(A) 1, 2, 3, 4
(B) 2, 1, 4, 3
(C) 3, 4, 1, 2
(D) 2, 4, 1, 3

82. Given the following business transactions:
(a) Issue of Debentures
(b) Retained Earnings
(c) Loans from Financial Institutions
(d) Trade Credit
(e) Purchase of Fixed Assets

Which of the above items are sources of finance for a company?
(A) (a), (b), (c) and (d) only
(B) (a), (b) and (e) only
(C) (c), (d) and (e) only
(D) All (a), (b), (c), (d) and (e)

83. The existence of fixed costs in the operating structure of a firm gives rise to:
(A) Financial Leverage
(B) Combined Leverage
(C) Operating Leverage
(D) No leverage

84. In the context of capital structure, the MM hypothesis with corporate taxes concludes that:
(A) The value of the unlevered firm is greater than the value of the levered firm.
(B) The capital structure is irrelevant to the value of the firm.
(C) The WACC increases with an increase in debt.
(D) The value of the levered firm is greater than

Downloaded from www.pdf.tube

(B) Net Profit
(C) Contribution
(D) Operating Profit

106. Read the following financial scenario and select the correct answer:
A company is considering two financing plans. Plan A has an EPS of ₹5 at an EBIT of ₹50,000. Plan B has an EPS of ₹6 at the same EBIT. Which plan should be chosen at this EBIT level?
(A) Plan B
(B) Plan A
(C) The company is indifferent between the two plans.
(D) Cannot be determined without knowing the market price of the share.

107. Match the financial statement in List-I with its primary purpose in List-II.
List I: (Financial Statement)
P. Balance Sheet
Q. Profit & Loss Account
R. Cash Flow Statement
S. Funds Flow Statement
List II: (Primary Purpose)
1. To show the reasons for changes in cash position
2. To show financial performance over a period
3. To show the reasons for changes in net working capital
4. To show financial position on a specific date
Codes:
(A) P-1, Q-2, R-3, S-4
(B) P-4, Q-2, R-1, S-3
(C) P-4, Q-1, R-2, S-3
(D) P-2, Q-4, R-1, S-3

108. Which accounting principle states that revenue should be recognized when it is earned, regardless of when cash is received?
(A) Matching Principle
(B) Realization Principle (Revenue Recognition)
(C) Cost Principle
(D) Conservatism Principle

109. If a firm has no fixed operating costs, its Degree of Operating Leverage (DOL) will be:
(A) Zero
(B) Infinity
(C) One
(D) Negative one

110. Which of the following is an example of a 'Source of Finance'?
(A) Repayment of a long-term loan.
(B) Purchase of investments.
(C) Payment of dividends.
(D) A public deposit scheme.

111. Given the following cost components:
(a) Prime Cost
(b) Factory Overheads
(c) Office and Administration Overheads
(d) Selling and Distribution Overheads
Which of the above are components of Total Cost as per a Cost Sheet?
(A) All (a), (b), (c) and (d)
(B) (a) and (b) only
(C) (a), (b) and (c) only
(D) (b), (c) and (d) only

112. The term 'Capital Structure' refers to:
(A) The mix of current assets and current liabilities.
(B) The mix of long-term sources of funds, such as debt and equity.
(C) The total value of all assets owned by the firm.
(D) The composition of fixed assets and current assets.

NODIA

113. Read the following statements and select the correct answer:
Statement I: The indifference point is the level of EBIT at which EPS is the same for two different financial plans.
Statement II: Below the indifference point, the plan with lower financial leverage is preferable.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

114. The 'investment decision' in financial management is also known as:
(A) Capital Budgeting
(B) Working Capital Management
(C) Dividend Policy Decision
(D) Capital Structure Decision

115. Arrange the following variances in the order they are typically calculated:
1. Material Price Variance

135. CVP analysis is based on several assumptions. Which of the following is NOT one of them?
(A) Selling price per unit is constant.
(B) Costs can be accurately divided into fixed and variable components.
(C) The product mix remains constant.
(D) The level of inventory changes significantly during the period.

136. The interest tax shield is a key advantage of which source of finance?
(A) Debt (Debentures/Loans)
(B) Equity Shares
(C) Preference Shares
(D) Retained Earnings

137. The 'Materiality Principle' in accounting states that:
(A) All important financial material must be stored in a very safe place.
(B) All information, regardless of significance, must be disclosed in detail.
(C) Items having an insignificant economic effect may be treated in an expedient manner.
(D) Financial statements should only report facts that are considered material.

138. Which of the following statements about leverages is correct?
(A) Combined leverage reflects the overall risk of the firm from sales to EPS.
(B) Operating leverage is concerned with the effect of interest costs on EPS.
(C) Financial leverage is concerned with the effect of operating fixed costs on EBIT.
(D) A firm with no debt has high financial leverage.

139. In a Cash Flow Statement, interest paid should be classified under:
(A) Operating Activities
(B) Investing Activities
(C) Financing Activities
(D) It can be either Operating or Financing for a non-financial company, but must be consistent.

140. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R):
Assertion (A): Higher financial leverage may lead to a higher EPS.
Reason (R): The use of debt financing allows equity shareholders to benefit from the earnings generated by debt funds, in excess of the interest cost.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

141. Given the following types of budgets:
(a) Sales Budget
(b) Cash Budget
(c) Flexible Budget
(d) Production Budget
(e) Master Budget
Which of the above are considered types of budgets based on function?
(A) (a), (b), (c) and (d) only
(B) (c) and (e) only
(C) (a), (b) and (d) only
(D) All of the above

142. The formula "Contribution / EBIT" is used to calculate:
(A) Degree of Financial Leverage
(B) Degree of Combined Leverage
(C) Margin of Safety
(D) Degree of Operating Leverage

143. Which of the following is an example of a long-term source of finance?
(A) Equity Shares
(B) Bank Overdraft
(C) Trade Credit
(D) Public Deposits

144. The Traditional Approach to capital structure suggests that:
(A) Capital structure is always irrelevant.
(B) The value of the firm can be increased by a judicious mix of debt and equity.
(C) A firm should be financed entirely by debt.
(D) A firm should be financed entirely by equity.

145. A variance that is caused by using a different mix of materials from the standard mix is known as:
(A) Material Price Variance

Click Here to Buy book on Amazon

125. Match the items in List-I with their correct formula in List-II.
List I: (Term)
P. Break-even Point (in value)
Q. Margin of Safety (in value)
R. P/V Ratio
S. Desired Sales for a target profit
List II: (Formula)
1. (Fixed Cost + Desired Profit) / P/V Ratio
2. (Contribution / Sales) x 100
3. Fixed Cost / P/V Ratio
4. Total Sales - Break-even Sales
Codes:
(A) P-1, Q-2, R-3, S-4
(B) P-3, Q-4, R-2, S-1
(C) P-3, Q-2, R-4, S-1
(D) P-4, Q-3, R-1, S-2

126. Which of the following is an 'Application of Funds' in a Funds Flow Statement?
(A) Issue of equity shares
(B) Sale of fixed assets
(C) Funds from operations
(D) Redemption of preference shares

127. The term 'Financial Distress' is most closely associated with:
(A) The risk of being unable to meet fixed financial obligations.
(B) A high degree of operating leverage.
(C) A very low current ratio.
(D) A negative return on assets.

128. A flexible budget is a budget that:
(A) Is prepared for only one level of activity.
(B) Can be adjusted to different levels of activity.
(C) Only includes variable costs.
(D) Is the same as a zero-base budget.

129. Which of the following statements about Standard Costing is incorrect?
(A) It acts as a yardstick for measuring efficiency.
(B) It is a system that can be used only in manufacturing industries.
(C) It helps in exercising cost control.
(D) It facilitates the principle of 'management by exception'.

130. The 'Conservatism' or 'Prudence' principle in accounting suggests that:
(A) One should anticipate no profits but provide for all possible losses.
(B) Accountants should always be pessimistic.
(C) Assets and revenues should be overstated.
(D) Financial statements should be made difficult to understand.

NODIA

131. Given the following factors affecting cost of capital:
(a) The risk-free rate of interest.
(b) The business risk and financial risk of the firm.
(c) The market price of the company's stock.
(d) The floatation costs for new issues.
Which of the above statement(s) is/are correct regarding factors considered in determining the cost of capital?
(A) (a) and (b) only
(B) (a), (b) and (c) only
(C) All (a), (b), (c) and (d)
(D) (c) and (d) only

132. 'Dividend decision' is a key function of financial management that deals with:
(A) Deciding the sources from which funds should be raised.
(B) Selecting the most profitable investment projects.
(C) Managing the day-to-day operational cash flows.
(D) Determining how much profit to distribute to shareholders and how much to retain.

133. Read the following statements and select the correct answer:
Statement I: A Funds Flow Statement is prepared from data from a single year's Balance Sheet.
Statement II: A Funds Flow Statement analyzes the causes for the change in the financial position between two dates.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

134. Which part of DuPont analysis measures the firm's efficiency in using its assets to generate sales?
(A) Net Profit Margin
(B) Asset Turnover
(C) Equity Multiplier
(D) Return on Equity

156. In the context of financial statement analysis, "window dressing" refers to:
(A) Improving the physical appearance of the company's offices.
(B) Presenting financial data in a more attractive but potentially misleading way.
(C) Using graphs and charts in the annual report.
(D) Comparing financial results with competitors.

157. The formula "EBIT / EBT" is used to calculate:
(A) Degree of Operating Leverage
(B) Degree of Combined Leverage
(C) Degree of Financial Leverage
(D) Interest Coverage Ratio

158. Which of the following is a key assumption of the Net Operating Income (NOI) approach to capital structure?
(A) The cost of debt (Kd) increases with leverage.
(B) The cost of equity (Ke) remains constant for all degrees of leverage.
(C) There is an optimal capital structure.
(D) The overall capitalization rate (Ko) remains constant for all degrees of leverage.

159. Given the following business objectives:
(a) To ensure availability of adequate funds.
(b) To ensure effective utilization of funds.
(c) To ensure safety of investment.
(d) To achieve an optimal capital structure.
(e) To fix the selling price of the product.
Which of the above are objectives of financial management?
(A) (a), (b), (c) and (d) only
(B) (a), (b), and (e) only
(C) (c), (d), and (e) only
(D) All of the above

160. From a marginal costing perspective, a product should be discontinued if:
(A) It is making a loss after allocating fixed costs.
(B) Its contribution margin is negative.
(C) Its selling price is lower than its total cost.
(D) Its sales volume has decreased.

161. The final output of the budgeting process is the:
(A) Sales Budget
(B) Master Budget
(C) Cash Budget
(D) Production Budget

162. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R):
Assertion (A): A Cash Flow Statement provides a more accurate picture of a firm's liquidity than a Funds Flow Statement.
Reason (R): Cash Flow analysis is based on a narrow concept of 'cash and cash equivalents', whereas Funds Flow analysis is based on a broader concept of 'working capital'.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

163. The existence of preference share capital in a company's capital structure gives rise to:
(A) Operating leverage
(B) Favourable tax benefits
(C) Financial leverage
(D) No leverage effect

164. 'Factory Cost' or 'Works Cost' in a Cost Sheet is calculated as:
(A) Prime Cost + Administrative Overheads
(B) Total Cost + Profit
(C) Direct Material + Direct Labour
(D) Prime Cost + Factory Overheads

165. Which of the following pairs is incorrectly matched?
(A) Liquidity Ratio - Current Ratio
(B) Solvency Ratio - Debt-Equity Ratio
(C) Activity Ratio - Interest Coverage Ratio
(D) Profitability Ratio - Net Profit Ratio

166. A company wishes to earn a desired profit of ₹30,000. Its fixed costs are ₹60,000 and P/V ratio is 30%. What should be the sales volume?
(A) ₹2,00,000
(B) ₹3,00,000
(C) ₹1,00,000
(D) ₹90,000

Downloaded from www.pdf.tube

(B) Material Mix Variance
(C) Material Yield Variance
(D) Material Usage Variance

146. 'Prime Cost' in a cost sheet is the sum of:
(A) Direct Materials, Direct Labour, and Direct Expenses.
(B) Direct Materials and Direct Labour only.
(C) All direct costs and all factory overheads.
(D) All variable costs of production.

147. If a company's sales are ₹2,00,000, variable costs are ₹1,20,000, and fixed costs are ₹50,000, what is its operating profit (EBIT)?
(A) ₹80,000
(B) ₹50,000
(C) ₹30,000
(D) ₹2,00,000

148. Given the following steps in the process of budgetary control:
1. Taking corrective action
2. Comparing actual performance with budgeted standards
3. Establishing standards through budgets
4. Measuring actual performance

Which of the following is the correct chronological sequence?
(A) 4, 3, 2, 1
(B) 3, 2, 4, 1
(C) 2, 3, 4, 1
(D) 3, 4, 2, 1

149. The financial breakeven point occurs where:
(A) EBIT is zero
(B) Sales are zero
(C) EPS is zero
(D) Contribution is zero

150. A key feature of ZBB is the formulation and evaluation of:
(A) Variance reports
(B) Decision packages
(C) Capital budgets
(D) Standard costs

151. Which of the following is NOT a benefit of ratio analysis?
(A) It simplifies complex financial information.
(B) It helps in identifying operational inefficiencies.
(C) It facilitates interfirm comparison.
(D) It provides a complete and final picture of a company's health.

NODIA

152. Read the following statements and select the correct answer:
Statement I: The cost of capital is the weighted average cost of various sources of finance.
Statement II: The weights used are the proportion of each source of finance in the capital structure.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

153. A company issues debentures of ₹10 lakh to purchase a building worth ₹10 lakh. What is the effect on the Funds Flow Statement?
(A) It is a source of funds only.
(B) It is an application of funds only.
(C) This transaction is not shown in the Funds Flow Statement.
(D) It is both a source and an application of funds, resulting in no change in working capital.

154. Match the variance in List-I with its cause in List-II.
List I: (Variance)
P. Material Price Variance
Q. Labour Rate Variance
R. Material Usage Variance
S. Labour Efficiency Variance
List II: (Cause)
1. Difference in worker skill or supervision
2. Inefficient handling or use of materials
3. Change in wage rates paid to workers
4. Change in purchase price of materials

Codes:
(A) P-1, Q-2, R-3, S-4
(B) P-4, Q-3, R-2, S-1
(C) P-4, Q-2, R-3, S-1
(D) P-2, Q-3, R-1, S-4

155. The concept of 'trading on equity' is most closely related to:
(A) Operating Leverage
(B) Combined Leverage
(C) DuPont Analysis
(D) Financial Leverage

2. Material Cost Variance
3. Material Usage Variance

Which of the following is the correct sequence?
(A) 2, 1, 3
(B) 1, 3, 2
(C) 1, 2, 3
(D) 3, 1, 2

116. A high P/V ratio indicates:
(A) Low profitability
(B) High fixed costs
(C) Low sales volume
(D) High profitability

117. What is the most significant advantage of Zero-Base Budgeting over traditional budgeting?
(A) It is much simpler and faster to prepare than traditional methods.
(B) It eliminates the need for detailed variance analysis throughout the year.
(C) It requires justifying all expenditures, rather than just incremental changes.
(D) It is a specialized tool suitable only for manufacturing departments.

118. Given the following purposes of Budgetary Control:
(a) To define the goals of the enterprise.
(b) To provide a means of coordinating activities.
(c) To provide a basis for performance evaluation.
(d) To ensure that the previous year's performance is repeated.
(e) To fix responsibility and motivate employees.

Which of the above statement(s) is/are correct?
(A) (a), (b), (c) and (d) only
(B) (a), (b), (c) and (e) only
(C) (b), (d) and (e) only
(D) All of the above

119. In EBIT-EPS analysis, what happens to the EPS if the EBIT level is above the indifference point for two financial plans?
(A) The plan with lower financial leverage will have a higher EPS.
(B) The EPS will be the same for both plans.
(C) The EPS will be negative for both plans.
(D) The plan with higher financial leverage will have a higher EPS.

120. Which of the following is NOT a component of the cost of capital?
(A) Cost of Current Assets
(B) Cost of Debt
(C) Cost of Equity
(D) Cost of Preference Capital

121. The main objective of preparing a Cash Flow Statement is:
(A) To ascertain the profit or loss of the firm.
(B) To present the financial position of the firm.
(C) To provide information about cash inflows and outflows during a period.
(D) To determine the working capital requirements.

122. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R):
Assertion (A): Marginal costing is a valuable tool for short-term decision making.
Reason (R): It clearly distinguishes between fixed and variable costs, which helps in analyzing the cost-volume-profit relationships for various alternatives.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

123. If the combined leverage is 2 and the operating leverage is 1.25, what is the financial leverage?
(A) 0.625
(B) 2.50
(C) 3.25
(D) 1.60

124. The Net Operating Income (NOI) approach to capital structure assumes that:
(A) The cost of debt and the weighted average cost of capital are constant.
(B) The perception of investors regarding the risk of the firm is not affected by leverage.
(C) The cost of debt and the overall cost of capital (WACC) are constant.
(D) The firm can increase its value by using more debt.

Click Here to Buy book on Amazon

167. A 'decision package' in Zero-Base Budgeting is a document that:
(A) Summarizes the previous year's total budget.
(B) Outlines the company's long-term strategic goals.
(C) Details the variances between actual and standard costs.
(D) Identifies an activity and justifies its funding level.

168. Given the following accounting items:
(a) Net Profit for the year
(b) Depreciation charged during the year
(c) Loss on sale of fixed assets
(d) Dividends paid during the year
Which of the above statement(s) is/are correct regarding items considered for calculating "Funds from Operations"?
(A) (a), (b) and (c) only
(B) (a) and (b) only
(C) (a), (c) and (d) only
(D) All (a), (b), (c) and (d)

169. What does the Equity Multiplier (Total Assets / Total Equity) in the DuPont formula measure?
(A) The company's profitability.
(B) The company's efficiency in using its assets.
(C) The extent to which the company is using debt to finance its assets (financial leverage).
(D) The company's ability to meet short-term obligations.

170. Read the following statements and select the correct answer:
Statement I: The Indifference Point is a level of EBIT where the market price per share is the same under alternative financial plans.
Statement II: The Indifference Point is a level of EBIT where the EPS is the same under alternative financial plans.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

171. If a company has a DOL of 5, what does it mean?
(A) For a 1% change in sales, EPS will change by 5%.
(B) For a 1% change in EBIT, EPS will change by 5%.
(C) 5% of the company's costs are fixed.
(D) For a 1% change in sales, EBIT will change by 5%.

172. The preparation of financial statements is primarily guided by:
(A) The preferences of the management.
(B) Generally Accepted Accounting Principles (GAAP) and Accounting Standards.
(C) The demands of the tax authorities.
(D) The requirements of the company's bankers.

173. The analysis of financial statements to assess the long-term solvency of a company would focus on:
(A) Liquidity Ratios
(B) Activity Ratios
(C) Capital Structure Ratios
(D) Profitability Ratios

174. Which of the following is not a cash flow?
(A) Payment to suppliers
(B) Sale of goods for cash
(C) Payment of wages
(D) Depreciation

175. The first step in the process of financial management is:
(A) Estimation of capital requirements.
(B) Raising of funds.
(C) Allocation of funds.
(D) Profit appropriation.

176. Which capital structure theory is often criticized for its unrealistic assumptions, such as the absence of taxes and transaction costs?
(A) Traditional Approach
(B) Modigliani-Miller (MM) Hypothesis without taxes
(C) Net Income Approach
(D) Trade-off Theory

177. A continuous or rolling budget is a budget that is:
(A) Constantly updated by adding a further accounting period when the earliest period has expired.
(B) Prepared only once a year.
(C) Designed for a single level of activity.
(D) Based on the zero-base principle.

Downloaded from www.pdf.tube

178. The EBIT-EPS indifference point formula equates the EPS of two different financing plans. The numerator in the EPS formula is:
(A) (EBIT - Interest) (1 - Tax Rate) - Preference Dividend
(B) EBIT - Interest - Tax
(C) Net Income + Interest
(D) Sales - Variable Costs - Fixed Costs

179. A labour rate variance is the difference between:
(A) Standard hours and actual hours, multiplied by the standard rate.
(B) Standard rate and actual rate, multiplied by the standard hours.
(C) Standard rate and actual rate, multiplied by the actual hours paid.
(D) Standard cost of labour and actual cost of labour.

180. The sum of Works Cost and Office & Administration Overheads is known as:
(A) Cost of Sales
(B) Total Cost
(C) Prime Cost
(D) Cost of Production

181. Given the following functions of a Finance Manager:
(a) Procurement of funds
(b) Utilization of funds
(c) Disbursement of profits to owners
(d) Setting production targets
Which of the above are the main functions of a Finance Manager?
(A) (a) and (b) only
(B) (b), (c) and (d) only
(C) (a), (b) and (c) only
(D) All (a), (b), (c) and (d)

182. 'Cost of Production' plus 'Selling and Distribution Overheads' equals:
(A) Works Cost
(B) Total Cost or Cost of Sales
(C) Prime Cost
(D) Marginal Cost

183. The presence of financial leverage is beneficial to shareholders only when:
(A) The return on investment is equal to the cost of debt.
(B) The return on investment is less than the cost of debt.
(C) The company is all-equity financed.
(D) The return on investment is greater than the cost of debt.

184. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R):
Assertion (A): A firm with high operating leverage is considered riskier than a firm with low operating leverage.
Reason (R): A high operating leverage implies a high proportion of fixed operating costs, which makes EBIT more sensitive to changes in sales.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

185. A cash budget is prepared to:
(A) Ascertain the expected profit for a future period.
(B) Determine the financial position at the end of a period.
(C) Estimate the cash requirements and potential surpluses for a future period.
(D) Calculate the cost of goods sold.

NODIA

186. Which ratio is a component of the DuPont framework?
(A) Net Profit Margin
(B) Debt Service Coverage Ratio
(C) Price/Earnings Ratio
(D) Dividend Payout Ratio

187. Read the following statements and select the correct answer:
Statement I: Standard costing involves setting pre-determined costs for performance evaluation.
Statement II: Historical costing involves recording costs as they are incurred.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

188. In the preparation of a Funds Flow Statement, the payment of income tax is treated as:

(A) A source of funds.
(B) An application of funds.
(C) An item that does not affect funds.
(D) An adjustment in the calculation of funds from operations.

189. Match the budget types in List-I with their primary content in List-II.
List I: (Budget Type)
P. Sales Budget
Q. Cash Budget
R. Capital Expenditure Budget
S. Production Budget
List II: (Primary Content)
1. Planned outlays on long-term assets
2. Estimated inflows and outflows of cash
3. Quantity and value of planned sales
4. Number of units to be manufactured
Codes:
(A) P-1, Q-2, R-3, S-4
(B) P-3, Q-4, R-2, S-1
(C) P-3, Q-2, R-1, S-4
(D) P-2, Q-3, R-4, S-1

190. Which of the following is not a source of funds for a company?
(A) Issue of debentures
(B) Loans from banks
(C) Increase in share premium
(D) Purchase of patents

191. A key difference between marginal costing and absorption costing is the treatment of:
(A) Fixed Production Overheads
(B) Direct Materials
(C) Direct Labour
(D) Variable Overheads

192. Financial leverage magnifies the effect of changes in EBIT on:
(A) Sales
(B) Earnings Per Share (EPS)
(C) Contribution
(D) Total Assets

193. The purpose of EBIT-EPS analysis is to:
(A) Help select the financial plan that maximizes EPS for a given level of EBIT.
(B) Determine the cash breakeven point.
(C) Analyze the operating efficiency of the firm.
(D) Calculate the weighted average cost of capital.

194. The financial statement that summarizes revenues, expenses, and net income over a period of time is the:
(A) Profit and Loss Statement (Income Statement)
(B) Balance Sheet
(C) Statement of Retained Earnings
(D) Cash Flow Statement

195. Which of the following is not a theory of capital structure?
(A) Net Income Approach
(B) Capital Asset Pricing Model
(C) Net Operating Income Approach
(D) Modigliani-Miller Approach

196. An unfavorable labour efficiency variance indicates that:
(A) The wage rate paid was higher than the standard rate.
(B) The wage rate paid was lower than the standard rate.
(C) The actual hours worked were less than the standard hours allowed for the output.
(D) The actual hours worked were more than the standard hours allowed for the output.

197. Given the following items relating to financial management:
(a) Capital Budgeting
(b) Working Capital Management
(c) Dividend Policy
(d) Product Pricing
(e) Capital Structure decisions
Which of the above statement(s) is/are correct regarding items related to Financial Management functions?
(A) (a), (b) and (d) only
(B) (c), (d) and (e) only
(C) (a), (b), (c) and (e) only
(D) All of the above

198. An increase in variable cost per unit would lead to:
(A) A decrease in the break-even point.
(B) An increase in the break-even point.
(C) No change in the break-even point.
(D) An increase in fixed costs.

Click Here to Buy book on Amazon

199. "Management by exception" is a principle that is effectively facilitated by:
(A) Ratio Analysis
(B) Funds Flow Analysis
(C) Zero-Base Budgeting
(D) Standard Costing and Variance Analysis

200. The concept of 'indifference point' is used in:
(A) Capital structure planning
(B) CVP analysis
(C) Dividend policy decisions
(D) Inventory management

201. Which of the following is NOT a fundamental accounting assumption?
(A) Going Concern
(B) Consistency
(C) Materiality
(D) Accrual

202. The financial risk of a company is most directly related to its:
(A) Use of debt and preference share capital.
(B) Level of operating fixed costs.
(C) Sales volatility.
(D) Efficiency in managing current assets.

203. A budget that provides a plan for acquisition of long-term assets is known as:
(A) Cash Budget
(B) Sales Budget
(C) Master Budget
(D) Capital Budget

204. Read the following statements and select the correct answer:
Statement I: DuPont analysis relates the return on assets (ROA) to the return on equity (ROE) using financial leverage.
Statement II: The formula is ROE = ROA x Equity Multiplier.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

205. If the selling price per unit is ₹10, variable cost per unit is ₹6, and fixed costs are ₹20,000, what is the break-even point in units?
(A) 2,000 units
(B) 3,333 units
(C) 5,000 units
(D) 1,200 units

206. Which of the following will result in an application (use) of funds?
(A) Issue of shares for cash
(B) Sale of machinery for cash
(C) Decrease in working capital
(D) Repayment of a long-term loan

207. Match the financial term in List-I with its associated concept in List-II.
List I: (Term)
P. EBIT
Q. EPS
R. WACC
S. CVP
List II: (Concept)
1. Break-even analysis
2. Capital structure
3. Operating profit
4. Profit available to equity holders
Codes:
(A) P-3, Q-4, R-2, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-3, Q-1, R-2, S-4
(D) P-4, Q-3, R-1, S-2

NODIA

208. The main purpose of preparing a Cost Sheet is:
(A) To fulfill legal requirements.
(B) To ascertain costs and facilitate cost control and decision making.
(C) To determine the dividend to be paid to shareholders.
(D) To calculate the firm's cash position.

209. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R):
Assertion (A): The Modigliani-Miller (MM) theory with taxes suggests a 100% debt-financed capital structure is optimal.
Reason (R): The value of the firm increases with leverage due to the tax deductibility of interest, and the theory assumes no bankruptcy costs.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

210. The risk arising from the firm's inability to cover its fixed financial costs is known as:
(A) Financial Risk
(B) Business Risk
(C) Operating Risk
(D) Market Risk

211. Given the following types of Leverages:
(a) Operating Leverage
(b) Financial Leverage
(c) Production Leverage
(d) Combined Leverage
Which of the above statement(s) is/are correct regarding the types of Leverages studied in financial management?
(A) (a) and (b) only
(B) (b), (c) and (d) only
(C) (a), (b) and (d) only
(D) All (a), (b), (c) and (d)

212. In a situation where a firm has high operating leverage and high financial leverage, it is said to have:
(A) A very low level of total risk.
(B) A stable earnings per share.
(C) An optimal capital structure.
(D) A high level of combined leverage and high total risk.

213. The choice between different sources of finance primarily depends on:
(A) The personal preference of the CEO.
(B) Their relative costs, risks, and control implications.
(C) Their relative costs, risks, and control implications.
(D) The number of existing shareholders.

214. Which statement about the break-even point is true?
(A) At the break-even point, the firm earns a target profit.
(B) At the break-even point, total revenue equals total cost.
(C) At the break-even point, total contribution equals total profit.
(D) Sales above the break-even point result in a loss.

215. Consider the following components of DuPont analysis:
1. Asset Turnover
2. Net Profit Margin
3. Equity Multiplier
Which of the following is the correct typical representation to arrive at ROE?
(A) 1 x 2 x 3
(B) 3 x 1 x 2
(C) 2 x 3 x 1
(D) 2 x 1 x 3

216. The term 'Cost of Capital' is synonymous with:
(A) The required rate of return or cut-off rate for capital projects.
(B) Dividend yield on equity.
(C) The interest rate on debt.
(D) The flotation cost of raising new finance.

217. A 'flexible budget' is also known as a:
(A) Sliding scale budget
(B) Fixed budget
(C) Master budget
(D) Static budget

218. The analysis of the relationship between EBIT and EPS under different capital structures is the core of:
(A) EBIT-EPS analysis
(B) CVP analysis
(C) Ratio analysis
(D) Funds flow analysis

219. Read the following statements and select the correct answer:
Statement I: The preparation of a cost sheet is a part of financial accounting.
Statement II: A cost sheet is an internal report used by management for decision making.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

220. A company's capital structure is considered optimal when:
(A) The company uses 100% equity finance.
(B) The market price of its share is maximized.
(C) The company has the lowest possible debt.
(D) The earnings per share are zero.

221. Given the following assumptions of CVP analysis:

Downloaded from www.pdf.tube

268. The passage suggests that a Cash Flow Statement is particularly crucial for assessing which aspect of a company?
(A) Its immediate liquidity and ability to pay bills.
(B) Its long-term strategic position in the industry.
(C) The historical cost of its non-current assets.
(D) The structure of its long-term financing.

269. The term "net working capital," which is central to Funds Flow Analysis, is defined as:
(A) Total assets minus total liabilities.
(B) Cash and cash equivalents only.
(C) Current assets minus current liabilities.
(D) Total equity minus retained earnings.

270. According to the text, the Funds Flow Statement is also known as the:
(A) Statement of Retained Earnings.
(B) Statement of Financial Performance.
(C) Statement of Comprehensive Income.
(D) Statement of Changes in Financial Position.

Direction : Please read the following source carefully.

In management accounting, the preparation of a cost sheet is a fundamental exercise for ascertaining the total cost of production and its constituent elements in a systematic manner. A cost sheet is a statement that details the various components of cost incurred during a particular period. It typically begins with the calculation of Prime Cost, which is the aggregate of direct material, direct labor, and direct expenses. To this, factory overheads are added to arrive at the Factory Cost or Works Cost. Subsequently, administrative overheads are included to determine the Cost of Production. Finally, by incorporating selling and distribution overheads, the Total Cost or Cost of Sales is computed. This detailed breakdown enables management to exercise cost control and make informed pricing decisions. A distinct but related concept is marginal costing, which is not a method of costing but a technique used for decision-making. Marginal costing differentiates between fixed costs and variable costs. It posits that only variable costs are product costs, while fixed costs are treated as period costs and are charged against the contribution of that period. The contribution, calculated as sales revenue minus total variable costs, is a key metric in marginal costing, as it represents the amount available to cover fixed costs and then to generate profit.

Based on the above source, attempt the following five questions.

271. In a standard cost sheet, what is the result of adding factory overheads to the Prime Cost?
(A) Cost of Production
(B) Total Cost
(C) Factory Cost or Works Cost
(D) Cost of Goods Sold

272. According to the principles of marginal costing described in the passage, how are fixed costs treated?
(A) They are included in the valuation of inventory as product costs.
(B) They are treated as period costs and charged against contribution.
(C) They are apportioned to different products based on production volume.
(D) They are ignored for the purpose of decision-making.

273. Which of the following correctly defines "Prime Cost" as detailed in the source?
(A) The sum of direct material and direct labor only.
(B) The aggregate of all direct and indirect costs.
(C) The total of factory cost and administrative overheads.
(D) The aggregate of direct material, direct labor, and direct expenses.

274. The passage describes "contribution" as a key metric in marginal costing. How is it calculated?
(A) Sales revenue minus total variable costs.
(B) Sales revenue minus fixed costs.
(C) Sales revenue minus total costs.
(D) Total variable costs minus fixed costs.

275. The primary purpose of preparing a detailed cost sheet, as implied by the passage, is to:
(A) comply with statutory financial reporting requirements.
(B) calculate the company's income tax liability.
(C) ascertain cost components for control and pricing decisions.
(D) determine the market value of the company's stock.

NODIA

(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

231. The dividend decision of a firm relates to:
(A) Deciding the timing of dividend payments.
(B) Determining the mix of debt and equity.
(C) Calculating the cost of equity capital.
(D) Deciding the proportion of earnings to be distributed and retained.

232. In standard costing, what does a 'Volume Variance' for overheads measure?
(A) The effect of actual production volume being different from the budgeted volume.
(B) The effect of spending more or less on overhead items.
(C) The effect of a change in labour efficiency.
(D) The effect of a change in the price of materials.

233. Given the following objectives of budgetary control:
(a) To plan and control income and expenditure.
(b) To coordinate the activities of different departments.
(c) To fix responsibility on individuals.
(d) To eliminate the need for management.
Which of the above statement(s) is/are correct?
(A) (a) and (b) only
(B) (b), (c) and (d) only
(C) (a), (b) and (c) only
(D) All (a), (b), (c) and (d)

234. In DuPont analysis, Return on Assets (ROA) is a product of:
(A) Net Profit Margin and Asset Turnover.
(B) Net Profit Margin and Equity Multiplier.
(C) Asset Turnover and Equity Multiplier.
(D) Gross Profit Margin and Asset Turnover.

235. The cost of capital from a specific source of finance is determined after considering:
(A) The profit of the company.
(B) The sales volume.
(C) The market share.
(D) The tax implications.

236. A Cash Flow Statement classifies activities into:
(A) Inflows and Outflows.
(B) Operating, Investing, and Financing.
(C) Direct and Indirect.
(D) Long-term and Short-term.

237. Read the following statements and select the correct answer:
Statement I: Operating leverage exists when a company has fixed costs in its cost structure.
Statement II: A company with only variable costs will have an operating leverage of one.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

238. The point of intersection of the total cost line and the total revenue line on a break-even chart represents the:
(A) Margin of Safety
(B) Shut-down point
(C) Angle of incidence
(D) Break-even point

239. A company has two financial plans. Plan X has more debt than Plan Y. The indifference point EBIT is ₹1,00,000. If the expected EBIT is ₹1,20,000, which plan should be preferred?
(A) Plan X
(B) Plan Y
(C) Either plan, as the difference is small.
(D) Cannot be determined without more information.

240. Which source of finance involves 'flotation costs'?
(A) Retained Earnings
(B) Issue of new shares or debentures
(C) Trade Credit
(D) Bank Overdraft

241. Given the following components:
(a) Prime Cost
(b) Factory Cost
(c) Cost of Production
(d) Cost of Sales
(e) Net Profit
Which of the above are components of a standard Cost Sheet?
(A) (a), (b), and (c) only
(B) All of the above
(C) (a), (b), (c), and (d) only

Click Here to Buy book on Amazon

interconnectedness of these statements is vital; for instance, the net income from the Profit and Loss Statement links to the retained earnings in the Statement of Changes in Equity, which in turn affects the equity section of the Balance Sheet.

Based on the above source, attempt the following five questions.

256. Which financial statement is described as presenting a snapshot of an entity's financial position at a specific point in time?
(A) Statement of Profit and Loss
(B) Balance Sheet
(C) Cash Flow Statement
(D) Statement of Changes in Equity

257. The passage highlights the interconnectedness of financial statements. How does the Statement of Profit and Loss link to the Balance Sheet?
(A) The total revenue from the P&L statement equals the total assets on the Balance Sheet.
(B) The operating cash flow from the P&L statement is reported as a current liability on the Balance Sheet.
(C) The total expenses from the P&L statement are subtracted from the total liabilities on the Balance Sheet.
(D) The net income from the P&L statement affects the retained earnings, which is part of the equity on the Balance Sheet.

258. What is the primary function of the Notes to the Financial Statements as described in the passage?
(A) To provide supplementary information and disclosures for a comprehensive understanding.
(B) To list all the transactions that occurred during the period.
(C) To present a forecast of the company's future financial performance.
(D) To detail the salaries and compensation of the company's top executives.

259. According to the source, the Cash Flow Statement categorizes cash flows into which of the following three activities?
(A) Managerial, Administrative, and Sales
(B) Direct, Indirect, and Non-cash
(C) Operating, Investing, and Financing
(D) Revenue, Expense, and Profit

260. The fundamental accounting equation, which is the basis for the Balance Sheet, is stated as:
(A) Assets = Liabilities + Equity
(B) Assets = Liabilities - Equity
(C) Assets + Liabilities = Equity
(D) Assets + Equity = Liabilities

Direction : Please read the following source carefully.

Financial statement analysis involves the use of various techniques to evaluate a company's performance and financial health. Among these, ratio analysis is a cornerstone, providing a quantitative method to gain insights into a company's liquidity, solvency, profitability, and operational efficiency. Ratios standardize financial data, allowing for comparisons over time (trend analysis) and against industry peers (cross-sectional analysis). Liquidity ratios, such as the current ratio, measure a firm's ability to meet its short-term obligations. Solvency ratios, like the debt-to-equity ratio, assess a company's long-term financial stability and its ability to meet its long-term debt obligations. Profitability ratios, including net profit margin and return on equity, indicate how effectively a company is generating profits from its sales and capital. Efficiency ratios, also known as turnover ratios, measure how well a company utilizes its assets to generate revenue. A more sophisticated tool, DuPont analysis, deconstructs Return on Equity (ROE) into its key components: profit margin, total asset turnover, and financial leverage. This breakdown allows analysts to identify which specific area of the business is driving changes in ROE, providing a more granular view than the single ROE figure alone.

Based on the above source, attempt the following five questions.

261. A financial analyst wants to assess a company's ability to meet its immediate, short-term obligations. According to the passage, which category of ratios would be most appropriate for this purpose?
(A) Solvency ratios
(B) Profitability ratios
(C) Efficiency ratios
(D) Liquidity ratios

NODIA

setting bodies, like the Accounting Standards Board (ASB) in India which issues Accounting Standards (AS), often work towards converging their national standards with IFRS. This convergence aims to make financial statements more accessible and comparable across international boundaries, thereby facilitating global investment and capital allocation. The application of these standards is not merely a procedural task; it requires professional judgment to ensure that the substance of transactions is reflected, providing a true and fair view of an entity's financial performance and position.

Based on the above source, attempt the following five questions.

251. Which of the following best describes the primary objective of converging national accounting standards with International Financial Reporting Standards (IFRS)?
(A) To simplify the accounting process for domestic companies.
(B) To enhance the comparability and accessibility of financial statements across international borders.
(C) To increase the regulatory burden on multinational corporations.
(D) To prioritize national economic interests over global financial transparency.

252. According to the passage, the application of accounting standards requires professional judgment to ensure which of the following outcomes?
(A) The reflection of the substance of transactions for a true and fair view.
(B) The minimization of the company's tax liability.
(C) The strict adherence to procedural rules without deviation.
(D) The alignment of financial reports with management's expectations.

253. The passage mentions several fundamental accounting assumptions. Which of the following is NOT listed as a fundamental accounting assumption?
(A) Going Concern
(B) Consistency
(C) Verifiability
(D) Accrual

254. Based on the source, what is the relationship between concepts like relevance and faithful representation, and financial information?
(A) They are fundamental accounting assumptions that underpin all transactions.
(B) They are procedural rules for recording specific types of journal entries.
(C) They are standards issued by national bodies to regulate local markets.
(D) They are qualitative characteristics that determine the usefulness of financial information.

255. The passage implies that the main role of Generally Accepted Accounting Principles (GAAP) is to:
(A) provide a flexible framework that companies can adapt to their specific needs.
(B) serve as a definitive guide for maximizing shareholder wealth.
(C) offer ground rules for consistent and reliable financial reporting.
(D) function as a legal framework for prosecuting corporate fraud.

NODIA

Direction : Please read the following source carefully.

The preparation of financial statements is the culminating step in the accounting cycle, designed to present an entity's financial health and performance to a wide range of stakeholders, including investors, creditors, and management. A complete set of financial statements typically comprises the Balance Sheet, which presents a snapshot of the company's assets, liabilities, and equity at a specific point in time, adhering to the fundamental accounting equation (Assets = Liabilities + Equity). The Statement of Profit and Loss, or Income Statement, summarizes revenues, expenses, and the resulting net profit or loss over a period. The Cash Flow Statement provides crucial information about the changes in cash and cash equivalents, categorizing cash flows into operating, investing, and financing activities. The Statement of Changes in Equity details the movements in the owners' equity throughout the accounting period. Finally, the Notes to the Financial Statements provide supplementary information, including disclosures about accounting policies, contingent liabilities, and other explanatory details that are essential for a comprehensive understanding. The

(D) (c), (d), and (e) only

242. The "Full Disclosure Principle" in accounting implies that:
(A) All material and relevant information must be disclosed in the financial statements.
(B) All information, even if trivial, must be disclosed.
(C) Only information required by law should be disclosed.
(D) Confidential company strategies should be disclosed.

243. The primary risk associated with a high degree of operating leverage is:
(A) The inability to pay interest on debt.
(B) The dilution of earnings per share.
(C) That a small decline in sales can lead to a large decline in operating profit (EBIT).
(D) The inability to meet current liabilities.

244. Zero-Base Budgeting was first used by:
(A) Peter Drucker
(B) J.M. Keynes
(C) Adam Smith
(D) Peter F. Pyhrr

245. A company's policy of using debt to finance its assets is a part of its:
(A) Dividend decision
(B) Investment decision
(C) Financing decision
(D) Working capital decision

246. If a company's combined leverage is 1, it means the company has:
(A) High operating leverage and low financial leverage.
(B) No operating leverage and no financial leverage.
(C) Low operating leverage and high financial leverage.
(D) High levels of both leverages.

247. The basic difference between a Funds Flow Statement and a Cash Flow Statement is:
(A) The period they cover.
(B) The accounting principles they follow.
(C) Their legal requirement.
(D) The concept of 'funds'.

248. The cost of capital acts as a minimum rate of return that a firm must earn on its investments to:
(A) Maintain the market value of its stock.
(B) Maximize its sales.
(C) Prevent a dilution in the earnings per share.
(D) Pay maximum dividends to its shareholders.

249. Which of the following would be an appropriate base for ranking 'decision packages' in ZBB?
(A) The seniority of the specific manager proposing it.
(B) The total amount of budget requested for the period.
(C) The benefit-cost analysis or its contribution to goals.
(D) The functional department from which it originates.

250. The relationship between Operating Leverage, Financial Leverage, and Combined Leverage is correctly expressed as:
(A) Combined Leverage = Operating Leverage x Financial Leverage
(B) Combined Leverage = Operating Leverage + Financial Leverage
(C) Combined Leverage = Operating Leverage / Financial Leverage
(D) Combined Leverage = Operating Leverage - Financial Leverage

Direction : Please read the following source carefully.

The foundation of modern financial reporting rests upon a structured framework of accounting principles and standards, which are essential for ensuring the consistency, comparability, and reliability of financial statements. These principles, often referred to as Generally Accepted Accounting Principles (GAAP), provide the ground rules for recording transactions and preparing financial reports. They encompass a range of concepts, from fundamental accounting assumptions like the going concern, consistency, and accrual concepts, to qualitative characteristics of financial information such as relevance, faithful representation, understandability, and verifiability. In a globalized economy, the need for a single set of high-quality global standards has led to the rise of International Financial Reporting Standards (IFRS). National standard-

Downloaded from www.pdf.tube

262. What is the primary advantage of using DuPont analysis as described in the text?
(A) It calculates a company's total debt obligations.
(B) It deconstructs Return on Equity to identify the drivers of performance.
(C) It simplifies financial statements for novice investors.
(D) It measures the overall market value of a company.

263. According to the source, DuPont analysis breaks down Return on Equity into which three distinct components?
(A) Current ratio, debt-to-equity ratio, and net profit margin.
(B) Profit margin, total asset turnover, and financial leverage.
(C) Gross profit margin, operating profit margin, and net profit margin.
(D) Cash flow from operations, inventory turnover, and earnings per share.

264. When an analyst compares the financial ratios of a company over several consecutive years, what type of analysis are they performing?
(A) Cross-sectional analysis
(B) DuPont analysis
(C) Solvency analysis
(D) Trend analysis

265. Based on the passage, what is the main purpose of assessing a company's solvency ratios?
(A) To evaluate the company's ability to cover its long-term financial obligations.
(B) To determine how efficiently the company is using its assets to generate sales.
(C) To measure the short-term operational profitability of the company.
(D) To understand the company's dividend payout policy to its shareholders.

Direction : Please read the following source carefully.

Within the realm of financial analysis, both Funds Flow Analysis and Cash Flow Analysis are critical tools for understanding the financial dynamics of a business, yet they focus on different aspects of resource movement. The Funds Flow Statement, also known as the Statement of Changes in Financial Position, primarily centers on the changes in a company's net working capital (current assets minus current liabilities) between two balance sheet dates. It explains how the operations of a business have been financed and how the financial resources have been used during a period. This statement categorizes the sources and applications of funds, providing insight into long-term financial planning and the impact of major financial decisions. In contrast, the Cash Flow Statement is concerned with a narrower, more liquid concept: the actual movement of cash and cash equivalents. It reconciles the opening and closing cash balances by classifying all cash movements into three distinct categories: operating, investing, and financing activities. While the Funds Flow Statement offers a broader view of changes in the firm's financial structure, the Cash Flow Statement provides a more precise and immediate picture of liquidity, which is crucial for assessing a company's ability to pay its bills, dividends, and make investments.

Based on the above source, attempt the following five questions.

266. What is the central focus of a Funds Flow Statement, as described in the passage?
(A) The movement of cash and cash equivalents.
(B) The changes in a company's net working capital.
(C) The calculation of net profit or loss for a period.
(D) The valuation of a company's fixed assets.

267. Which of the following best distinguishes a Cash Flow Statement from a Funds Flow Statement, according to the source?
(A) The Cash Flow Statement is used for long-term planning, while the Funds Flow Statement is for short-term liquidity.
(B) The Cash Flow Statement categorizes movements into operating, investing, and financing activities, whereas the Funds Flow Statement focuses on sources and applications of funds.
(C) The Cash Flow Statement focuses on the broader concept of funds, while the Funds Flow Statement focuses on cash.
(D) The Cash Flow Statement is prepared from the Balance Sheet only, while the Funds Flow Statement uses both the Balance Sheet and Income Statement.

NODIA

more or fewer labor hours than specified by the standard for the actual output. The primary objective of this process is not merely to identify differences but to facilitate management by exception. Favorable variances (where actual cost is less than standard) and unfavorable variances (where actual cost exceeds standard) are investigated, allowing management to focus its attention on significant deviations from the plan, take corrective actions, and improve future performance.

Based on the above source, attempt the following five questions.

281. What is the fundamental purpose of setting standard costs in a standard costing system?
(A) To establish a benchmark for measuring actual performance.
(B) To provide a definitive cost for financial reporting purposes.
(C) To simplify the process of inventory valuation.
(D) To calculate the maximum possible profit for a period.

282. According to the passage, variance analysis involves the comparison between which two elements?
(A) Actual costs and budgeted revenues.
(B) Standard costs and actual costs.
(C) Current period costs and previous period costs.
(D) Variable costs and fixed costs.

283. A variance is described as "unfavorable" when:
(A) actual cost is less than the standard cost.
(B) actual cost exceeds the standard cost.
(C) actual production volume is higher than the standard volume.
(D) actual revenue is lower than the budgeted revenue.

284. The passage states that a labor efficiency variance would most likely result from:
(A) using more or fewer labor hours than the standard for the actual output.
(B) paying workers a higher or lower wage rate than the standard.
(C) using a different quality of material than specified.
(D) a change in the market price of raw materials.

285. What management principle is directly facilitated by variance analysis, as mentioned in the source?
(A) Management by Objectives
(B) Total Quality Management
(C) Management by Exception
(D) Just-In-Time Management

Direction : Please read the following source carefully.

Financial management is a vital functional area of business concerned with the judicious acquisition, financing, and management of assets to achieve the firm's objectives, primarily the maximization of shareholder wealth. Its core functions can be broadly categorized into three key decisions: the investment decision, the financing decision, and the dividend decision. The investment decision, also known as capital budgeting, involves allocating capital to long-term assets that would yield benefits in the future. The financing decision, central to capital structure, pertains to determining the optimal mix of debt and equity to finance the firm's operations. This decision directly impacts the cost of capital and the risk profile of the firm. Various capital structure theories attempt to explain the relationship between financial leverage and the value of the firm. These theories range from the Net Income (NI) approach, which suggests that a firm's value can be increased by using more debt, to the Net Operating Income (NOI) approach, which posits that the capital structure is irrelevant. The Modigliani-Miller (MM) propositions, both with and without taxes, provide a more rigorous theoretical framework for understanding this relationship. The cost of capital itself is a critical input, representing the minimum rate of return a company must earn on its investments.

Based on the above source, attempt the following five questions.

286. Which of the following is NOT listed in the passage as one of the three core functions or decisions of financial management?
(A) Investment decision
(B) Financing decision
(C) Dividend decision
(D) Production decision

Click Here to Buy book on Amazon

Direction : Please read the following source carefully.

Cost-Volume-Profit (CVP) analysis is a critical managerial tool that examines the relationship between changes in activity (volume) and changes in total sales revenue, expenses (costs), and net profit. As an extension of marginal costing, it relies on the segregation of costs into fixed and variable components. The central purpose of CVP analysis is to help managers understand how profits will be affected by changes in selling prices, sales volume, variable costs per unit, and total fixed costs. A key concept within CVP analysis is the break-even point (BEP), which represents the level of sales (in units or in revenue) at which total revenues equal total costs, resulting in zero profit. Another important metric is the margin of safety, which indicates the extent to which sales can decline before the company starts incurring losses. It is the difference between actual or budgeted sales and break-even sales. The profit-volume (P/V) ratio, which is the ratio of contribution to sales, is also fundamental. It shows the rate at which profit increases with an increase in sales volume. CVP analysis is indispensable for short-term planning, evaluating pricing strategies, and making decisions about product lines.

Based on the above source, attempt the following five questions.

276. What does the break-even point (BEP) represent in the context of CVP analysis?
(A) The point where total revenues equal total costs.
(B) The level of sales that generates the maximum possible profit.
(C) The level of production where marginal cost equals marginal revenue.
(D) The point where fixed costs are equal to variable costs.

277. The margin of safety is described in the passage as the difference between:
(A) total revenue and total variable cost.
(B) selling price and variable cost per unit.
(C) budgeted profit and actual profit.
(D) actual sales and break-even sales.

278. The profit-volume (P/V) ratio is a key element of CVP analysis. What does it measure?
(A) The ratio of total profit to total sales volume.
(B) The rate at which profit changes with a change in sales volume.
(C) The proportion of fixed costs in the total cost structure.
(D) The ratio of total sales revenue to total assets.

279. CVP analysis is built upon the foundational principle of:
(A) treating all costs as fixed for the relevant range.
(B) allocating overheads based on direct labor hours.
(C) segregating costs into fixed and variable components.
(D) valuing inventory at market price rather than cost.

NODIA

280. According to the passage, a primary application of CVP analysis in managerial decision-making is to:
(A) determine long-term capital investment projects.
(B) conduct performance appraisals for employees.
(C) prepare the annual financial statements for external reporting.
(D) evaluate pricing strategies and product line decisions.

Direction : Please read the following source carefully.

Standard costing is a sophisticated control technique that uses predetermined or standard costs as a benchmark for measuring performance. Before a production period begins, standards are meticulously set for each cost element—direct materials (quantity and price), direct labor (hours and rate), and overheads (variable and fixed). These standards represent what costs should be under efficient operating conditions. Once the period is over and actual costs are known, a process of variance analysis is undertaken. Variance analysis is the systematic comparison of actual costs with the established standard costs to identify the differences, known as variances. These variances are then analyzed to determine their causes. For instance, a material price variance might arise from purchasing materials at a price different from the standard, while a labor efficiency variance could result from using

(a) Total fixed costs remain constant at all activity levels.
(b) Variable cost per unit remains constant.
(c) Selling price per unit is constant.
(d) The firm sells only one product or the sales mix is constant.
(e) The firm's inventory levels are continuously increasing.

Which of the above statement(s) is/are correct?
(A) (a), (b), and (c) only
(B) (c), (d), and (e) only
(C) (a), (b), (c), and (d) only
(D) All of the above

222. The term 'Business Risk' refers to the variability in a firm's:
(A) Earnings Per Share (EPS)
(B) Share Price
(C) Net Profit
(D) Earnings Before Interest and Tax (EBIT)

223. What is the main drawback of the Net Income (NI) approach to capital structure?
(A) It assumes that the risk perception of investors does not change with increased leverage.
(B) It assumes that the cost of debt remains constant.
(C) It ignores the tax benefit of debt.
(D) It suggests that there is no optimal capital structure.

224. A firm's Degree of Financial Leverage (DFL) is 1. This implies that the firm:
(A) Has very high debt.
(B) Has no debt or fixed financial charges.
(C) Has a very high level of fixed operating costs.
(D) Is at its financial breakeven point.

225. Which of the following ratios is most important for a long-term lender evaluating a loan application?
(A) Current Ratio
(B) Debt-Service Coverage Ratio
(C) Stock Turnover Ratio
(D) Operating Ratio

226. Match the accounting concept in List-I with its description in List-II.
List I: (Concept)
P. Business Entity
Q. Going Concern
R. Money Measurement
S. Accounting Period
List II: (Description)
1. The life of the business is divided into smaller time intervals.
2. Only transactions expressible in monetary terms are recorded.
3. The business has an indefinite life.
4. The business is distinct from its owner.

Codes:
(A) P-4, Q-3, R-2, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-2, R-3, S-1
(D) P-2, Q-4, R-1, S-3

227. An increase in working capital is treated as an 'Application of Funds' because:
(A) It represents an increase in current liabilities over current assets.
(B) It is a source of cash for the business.
(C) It represents funds being tied up in net current assets.
(D) It is a non-fund item like depreciation.

228. The 'contribution margin' approach is central to which costing technique?
(A) Standard Costing
(B) Process Costing
(C) Job Costing
(D) Marginal Costing

229. If a firm has no preference capital, the financial breakeven point is where:
(A) EBIT is zero.
(B) Sales equal total costs.
(C) EBIT equals the total interest payment.
(D) EBT (Earnings Before Tax) is zero.

230. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R):
Assertion (A): Variance analysis helps in implementing 'management by exception'.
Reason (R): It highlights the areas where performance deviates significantly from standards, allowing management to focus attention on these areas.
(A) Both A and R are true and R is the correct explanation of A.

Downloaded from www.pdf.tube

287. According to the source, the "financing decision" is primarily concerned with:
(A) selecting the most profitable long-term assets.
(B) managing the firm's short-term assets and liabilities.
(C) determining the optimal mix of debt and equity.
(D) deciding the portion of profits to be distributed to shareholders.

288. The passage mentions the Net Income (NI) approach to capital structure. What is the central proposition of this approach?
(A) The capital structure of a firm is irrelevant to its value.
(B) The value of a firm can be increased by using more debt.
(C) A firm should be financed entirely by equity to maximize value.
(D) The cost of capital remains constant regardless of the level of debt.

289. The decision related to the allocation of capital to long-term assets is referred to as:
(A) the dividend decision.
(B) working capital management.
(C) the capital structure decision.
(D) capital budgeting.

290. What does the "cost of capital" represent in the context of financial management?
(A) The minimum rate of return a firm must earn on its investments.
(B) The total interest paid on the firm's debt.
(C) The historical cost of the firm's assets.
(D) The total operational cost incurred in a financial year.

Direction : Please read the following source carefully.

Budgeting is a forward-looking process that involves creating a detailed, quantitative plan of action for a specific future period. It serves as a tool for planning, coordination, and control within an organization. Budgetary control is the subsequent process of establishing budgets, continuously comparing actual results with budgeted performance, and taking corrective action where necessary. This control mechanism helps in ensuring that the organization's objectives are achieved efficiently. There are various types of budgets, each serving a different purpose. For instance, functional budgets are prepared for different functions like sales, production, and marketing, which are then consolidated into a Master Budget that provides an overall summary of the company's plans. A key distinction in budgeting approaches is between traditional budgeting and Zero-Base Budgeting (ZBB). While traditional budgeting often uses the previous year's budget as a baseline and makes incremental adjustments, ZBB requires a fundamentally different approach. Under ZBB, every budget request must be justified from a "zero base" for each new period, without reference to past allocations. Managers must justify every expense, forcing a comprehensive review of all activities and expenditures and promoting a more efficient allocation of resources by eliminating redundant or inefficient programs.

Based on the above source, attempt the following five questions.

291. What is the defining characteristic of Zero-Base Budgeting (ZBB) as described in the passage?
(A) It uses the previous year's budget as a starting point for the new budget.
(B) It focuses exclusively on capital expenditures and long-term investments.
(C) It requires every budget request to be justified from scratch for each new period.
(D) It is only applicable to non-profit organizations and government agencies.

292. The process of establishing budgets and then comparing actual results with budgeted performance for corrective action is known as:
(A) Budgetary Control.
(B) Zero-Base Budgeting.
(C) Financial Accounting.
(D) Capital Budgeting.

293. According to the text, a "Master Budget" is best described as:
(A) a budget prepared for a single department or function.
(B) a budget that only includes cash inflows and outflows.
(C) a historical document showing past financial performance.
(D) a consolidation of various functional

NODIA

ANSWERS

1. (B) They are general guidelines and ground rules for accounting practices and preparation of financial statements.
Accounting principles are fundamental conventions and rules that provide a framework for financial reporting. They ensure consistency, comparability, and transparency across different entities. These guidelines dictate how transactions are recorded and how financial statements are prepared. By following these established ground rules, businesses provide stakeholders with reliable data for decision-making. They serve as a standardized language for financial communication across the global business environment.

2. (D) Statement I is false, but Statement II is true.
A funds flow statement is an analytical tool used to observe changes in the net working capital position of a company between two balance sheet dates. Unlike the cash flow statement, its preparation is not legally mandatory for all companies under various accounting standards. This statement focuses on the movement of resources rather than just cash. It provides insights into how working capital was generated and utilized during a specific period.

3. (C) Redemption of debentures by paying cash.
Financing activities involve transactions that result in changes in the size and composition of the contributed equity and borrowings of an enterprise. The redemption of debentures involves the repayment of long-term debt, which is a clear example of a financing outflow. Other activities like purchasing machinery are investing activities, while paying salaries or selling goods are operating activities. Monitoring these cash flows helps in assessing capital structure changes.

4. (A) P-4, Q-2, R-1, S-3
Financial ratios are categorized based on the specific aspect of business performance they evaluate. Liquidity ratios like the current ratio measure short-term debt-paying ability. Solvency ratios like debt-equity examine long-term financial stability. Profitability ratios like the gross profit ratio assess the efficiency of generating income. Activity ratios like stock turnover indicate how effectively assets are utilized. Together, these metrics provide a comprehensive view of a company's financial health.

5. (C) Business Entity Concept
The business entity concept is a fundamental accounting principle stating that a business is a separate legal and economic unit from its owners. This ensures that personal transactions of the owners are not mixed with business records. Consequently, the capital invested by the owner is treated as a liability for the business. This distinction is crucial for accurately measuring the performance and financial position of the business independently.

6. (B) The Cash Flow Statement is an alternative to the Profit and Loss Account.
Financial statements serve distinct purposes and are not substitutes for one another. The profit and loss account measures performance over a period, while the balance sheet shows the financial position at a specific point. The cash flow statement tracks the movement of cash and cash equivalents. It complements the income statement by showing the liquidity impact of operations, investments, and financing. It cannot replace profit measurement.

7. (D) A more than proportionate change in EBIT for a given change in sales.
Operating leverage measures the sensitivity of earnings before interest and taxes to changes in sales revenue. A high degree of operating leverage occurs when a firm has a large proportion of fixed costs. This creates a magnification effect where a small percentage increase in sales leads to a significantly larger percentage increase in operating income. Conversely, it also amplifies the impact of sales decreases, representing business risk.

Click Here to Buy book on Amazon

300. The passage defines combined leverage as a measure of the total impact of a change in _____ on _____.

(A) Sales; EPS
(B) EBIT; Sales
(C) Sales; EBIT
(D) EPS; EBIT

www.nodia.in

Downloaded from www.pdf.tube

budgets providing an overall summary.

294. Which of the following represents a key difference between traditional budgeting and Zero-Base Budgeting (ZBB)?
(A) Traditional budgeting is forward-looking, while ZBB is historical.
(B) Traditional budgeting relies on incremental adjustments, while ZBB starts from a zero base.
(C) Traditional budgeting is quantitative, while ZBB is purely qualitative.
(D) Traditional budgeting is for control, while ZBB is only for planning.

295. The passage implies that a primary benefit of implementing ZBB is:
(A) the simplification and reduction of the time spent on the budgeting process.
(B) the guarantee of increased departmental budgets each year.
(C) the promotion of more efficient resource allocation by reviewing all expenses.
(D) the reduction of management's involvement in the budgeting process.

Direction : Please read the following source carefully.

Leverage in finance refers to the use of fixed-cost assets or funds to magnify the returns to a firm's owners. There are two primary types of leverage: operating leverage and financial leverage. Operating leverage arises from the presence of fixed operating costs in a firm's cost structure, such as rent and salaries. A high degree of operating leverage means that a small change in sales will result in a larger change in Earnings Before Interest and Taxes (EBIT). Financial leverage, on the other hand, results from the use of fixed-cost sources of finance, primarily debt, in the capital structure. It magnifies the effect of changes in EBIT on Earnings Per Share (EPS). The combined effect of these two is measured by combined leverage, which shows the impact of a change in sales on EPS. EBIT-EPS analysis is a technique used to analyze the effect of different capital structures on EPS. A key concept in this analysis is the indifference level or point, which is the level of EBIT at which the EPS is the same for two alternative financing plans. Below this EBIT level, the plan with less debt is preferable, and above it, the plan with more debt is better. The financial breakeven point is the level of EBIT at which the firm can just cover its fixed financing costs, resulting in an EPS of zero.

Based on the above source, attempt the following five questions.

296. What does operating leverage measure, according to the passage?
(A) The impact of changes in EBIT on Earnings Per Share (EPS).
(B) The effect of using debt on the firm's overall profitability.
(C) The level of EBIT required to achieve a target EPS.
(D) The impact of changes in sales on Earnings Before Interest and Taxes (EBIT).

297. In the context of EBIT-EPS analysis, what is the significance of the "indifference level"?
(A) It is the EBIT level where two different financing plans yield the same EPS.
(B) It is the level of EBIT at which the firm's EPS is zero.
(C) It is the sales level where total revenue equals total cost.
(D) It is the EBIT level that maximizes the market price of the firm's shares.

298. Financial leverage arises from the presence of which of the following in a firm's capital structure?
(A) Fixed operating costs like rent and salaries.
(B) Fixed-cost sources of finance such as debt.
(C) A high proportion of variable production costs.
(D) A large amount of retained earnings.

299. What does the "financial breakeven point" signify?
(A) The level of sales where the firm's net income is zero.
(B) The level of EBIT where the firm can just cover its fixed financing costs.
(C) The point where operating leverage and financial leverage are equal.
(D) The level of sales that covers all fixed and variable operating costs.

NODIA

8. (A) Both A and R are true and R is the correct explanation of A.
Zero-base budgeting is highly effective for discretionary cost areas because it requires every expense to be justified from scratch. Unlike traditional incremental budgeting, it assumes the starting point is zero for every period. Managers must prove the necessity and cost-effectiveness of every activity to receive funding. This rigorous evaluation process helps in identifying and eliminating wasteful expenditures. It ensures that resources are allocated based on current needs.

9. (C) The excess of actual or budgeted sales over the break-even sales.
The margin of safety represents the difference between the actual or budgeted sales volume and the break-even sales volume. It indicates the amount by which sales can drop before the company begins to incur a financial loss. A high margin of safety suggests a lower risk of loss and greater financial stability. Managers use this metric to evaluate the strength of the business and make decisions.

10. (A) It decomposes Return on Equity into profitability, asset efficiency, and financial leverage.
DuPont analysis is a framework used to decompose the return on equity into three distinct components. It examines net profit margin, which reflects profitability; asset turnover, which indicates asset efficiency; and the equity multiplier, which measures financial leverage. By breaking down the return on equity, analysts can pinpoint exactly which area of the business is driving performance. This provides a deep understanding of financial dynamics and health.

11. (D) (a), (b) and (c) only
A cost sheet is a document that summarizes the various costs incurred in a production process. It includes prime costs, which are direct costs like materials and labour, and works costs, which include factory overheads. Administrative, selling, and distribution overheads are also part of the product cost. However, purely financial items like interest on debentures are excluded from cost accounts. They are treated as financial charges.

12. (B) Maximization of shareholders' wealth.
While profit maximization was historically the goal, wealth maximization is now considered the primary objective of financial management. This goal is comprehensive as it considers the time value of money and the risks associated with future cash flows. Wealth maximization is reflected in the market value of the company's shares. It aligns the interests of managers with shareholders by focusing on long-term sustainability and value.

13. (C) Commercial Paper
Long-term finance refers to funds required for a period exceeding five to ten years, such as equity shares, debentures, and retained earnings. These are used to finance fixed assets and long-term projects. In contrast, commercial paper is an unsecured short-term money market instrument issued by corporations to meet immediate working capital needs. It typically has a maturity period ranging from a few days to one year.

14. (D) The minimum rate of return a firm must earn to maintain value.
The cost of capital represents the hurdle rate that a company must overcome to justify an investment project. It is the minimum rate of return required by investors to provide capital to the firm. By earning at least this rate, the company ensures that the market value of its shares remains stable. It serves as a benchmark for evaluating the feasibility and profitability of various capital expenditures.

15. (A) 1, 3, 2, 4
Assets are typically listed on a balance sheet in order of their liquidity, which refers to how quickly they can be converted into cash. Cash is the most liquid, followed by accounts receivable or debtors. Inventory is generally less liquid than receivables but more liquid than fixed assets. Plant and machinery, being fixed assets, are the least liquid. This order helps analysts and creditors evaluate the firm's liquidity.

16. (A) Both Statement I and Statement II are true.
Standard costing is a vital managerial tool used for cost control and performance evaluation. It involves setting predetermined target costs for products or services based on efficient operating conditions. Variance analysis is the subsequent

Click Here to Buy book on Amazon

process where these standard costs are compared against the actual costs incurred. By identifying and analyzing the differences, management can pinpoint inefficiencies, take corrective actions, and improve overall operational productivity within the organization.

17. (B) ₹30,000
Fixed costs are costs that do not change with the level of production or sales. In the context of marginal costing, profit is determined by subtracting fixed costs from the total contribution. Since the contribution is the excess of sales over variable costs, any remainder after covering fixed costs represents the profit. Given the provided figures, subtracting the profit from the contribution yields the total fixed cost.

18. (A) (a), (b), (c) and (d) only
The cost of capital is the weighted average of the individual costs of all long-term sources of funds used by a firm. This includes the cost of debt, preference shares, equity shares, and retained earnings. Each source has a specific cost based on investor expectations and tax implications. Cost of goods sold is an operating expense, not a source of capital, and is therefore excluded.

19. (C) The firm's Earnings Per Share (EPS) is zero.
The financial breakeven point is a critical level of earnings before interest and taxes. At this specific point, the firm's operating profit is just enough to cover all its fixed financial charges, such as interest and preference dividends. Consequently, the earnings available to common shareholders become zero, resulting in an earnings per share of nil. It helps management understand the minimum operating profit required to satisfy financiers.

20. (D) Traditional Approach
The traditional approach to capital structure suggests that there is an optimal point where the firm can minimize its weighted average cost of capital. This theory posits that judicious use of debt can initially lower the overall cost because debt is cheaper than equity. Beyond a certain level of leverage, the perceived risk increases, causing the cost of capital to rise. Consequently, the firm's value is maximized.

21. (B) P-3, Q-1, R-4, S-2
Different cost concepts serve various roles in accounting and decision-making processes. Marginal cost refers to the change in total cost resulting from producing one additional unit. Standard cost is a predetermined target used for performance measurement. Sunk costs are historical costs that cannot be recovered and are irrelevant for future decisions. Opportunity cost represents the value of the best alternative foregone. Understanding these distinctions is vital for effective managerial control.

22. (B) Interest received is classified as a financing activity.
A cash flow statement categorizes cash movements into operating, investing, and financing activities. Operating activities relate to primary business functions, while investing activities involve the purchase and sale of long-term assets. Financing activities involve changes in equity and borrowings. Interest received is typically classified as an investing activity for non-financial firms because it is a return on investment. Classifying it as financing is incorrect under standard rules.

23. (D) Indifference Point
The indifference point refers to a specific level of earnings before interest and taxes where two different financing plans yield exactly the same earnings per share. At this level, the benefit of using debt is exactly offset by the cost of interest. Management uses this point to decide which capital structure is more advantageous. If the expected EBIT is higher than this point, the more levered plan is preferred.

NODIA

24. (A) Both A and R are true and R is the correct explanation of A.
Marginal costing is a technique where only variable costs are charged to cost units, while fixed costs are treated as period costs. This means that fixed costs are written off entirely to the profit and loss account in the period they are incurred. They are not carried forward in stock valuations. This approach emphasizes that fixed costs are a function of time rather than the volume of production.

25. (C) Flexible Budget
A flexible budget is a dynamic planning tool designed to change in accordance with the actual level of activity achieved. Unlike a static budget, which remains unchanged regardless of volume, a flexible budget provides different cost estimates for various production levels. This allows management to compare actual costs with budgeted costs relevant to the actual activity. It is useful for controlling costs and evaluating performance in fluctuating environments.

26. (A) Quick Ratio (Acid-Test Ratio)
The quick ratio is a stringent measure of liquidity that assesses a company's ability to meet its short-term obligations using its most liquid assets. It excludes inventory from current assets because stock can take significant time to be converted into cash. By focusing only on cash, marketable securities, and receivables, it provides a realistic view of immediate solvency. It is a more conservative metric than the current ratio.

27. (D) Variance
In standard costing, a variance is the numerical difference between a predetermined standard cost and the actual cost incurred. Variances can be either favourable or unfavourable depending on whether the actual cost is lower or higher than the target. Analyzing these differences allows management to identify areas of inefficiency and investigate the underlying causes. This process is essential for effective cost control and maintaining operational performance standards.

28. (B) (a), (b) and (c) only
Financial management primarily focuses on three major types of decisions: investment, financing, and dividend decisions. Investment decisions involve the allocation of funds to long-term and short-term assets. Financing decisions deal with the mix of debt and equity used to raise capital. Dividend decisions determine the distribution of profits to shareholders. Production scheduling is an operational management function, not a core financial management responsibility, although it impacts cash.

29. (C) It increases both the risk and the potential return.
Financial leverage involves using fixed-interest-bearing debt to finance assets with the aim of magnifying returns to equity shareholders. When a firm increases its leverage, it takes on higher fixed financial obligations, which increases the risk of insolvency. However, if the firm earns more on its assets than the cost of debt, the surplus increases the earnings per share. Thus, both risk and potential return are elevated.

30. (D) Establishing goals and creating a plan for them.
Budgeting is a formal process of quantifying the goals and objectives of an organization into a financial plan for a future period. It involves coordinating the activities of various departments to ensure that resources are utilized efficiently to achieve desired targets. By establishing these benchmarks, management can monitor performance and take corrective actions when deviations occur. It serves as a roadmap for both planning and control.

31. (A) An estimate of expected sales in terms of quantity and value.
The sales budget is the starting point of the budgeting process and serves as the foundation for all other functional budgets. It provides a detailed estimate of the expected sales volume and revenue for a future period. This estimate is based on market analysis, historical trends, and economic conditions. Accurate sales forecasting is essential because it determines the requirements for production, materials, labour, and cash flows.

32. (A) Both Statement I and Statement II are true.
Leverage in finance refers to the use of fixed costs to magnify the impact of changes in one financial variable on another. Operating leverage is driven by fixed operating costs, which make operating profit sensitive to sales changes. Financial leverage is driven by fixed financial charges, which make earnings per share sensitive to changes in operating profit. Both types of leverage increase the firm's overall risk while offering potential for higher returns.

33. (B) The net working capital position between two balance sheet dates.
A funds flow statement is designed to analyze the sources and applications of funds over a specific accounting period. It specifically tracks changes in the net working capital, which is the difference between current assets and current liabilities. By

Downloaded from www.pdf.tube

comparing two balance sheets, it highlights how funds were generated and how they were utilized. This provides a clear picture of the movement of resources and the firm's solvency.

34. (A) 1, 2, 4, 3
The zero-base budgeting process follows a systematic sequence to ensure every expense is justified. It begins with the identification of decision units, which are functional areas of the organization. Next, managers develop and evaluate decision packages for these units. These packages are then ranked based on their contribution to organizational goals. Finally, the budget is prepared by allocating resources to the highest-ranked packages until funds are exhausted.

35. (C) The value of a firm is independent of its capital structure.
In their seminal work, Modigliani and Miller proposed that in a perfect capital market without taxes, the total value of a firm is determined by its earning power and the risk of its underlying assets. They argued that the way a firm is financed does not affect its overall value. This is because any benefit from cheaper debt is exactly offset by the increase in the required return on equity.

36. (D) Direct Labour
Prime cost represents the sum of all direct costs incurred in the manufacturing of a product. It consists of direct materials, direct labour, and direct expenses that can be specifically traced to a unit of production. Overheads such as factory, administrative, and selling expenses are indirect costs and are added later in the cost sheet. Accurate calculation of prime cost is fundamental for determining the base cost of production.

37. (C) (Contribution / Sales) x 100
The profit-volume ratio is a key metric in cost-volume-profit analysis that expresses the relationship between contribution and sales. It indicates the percentage of each sales rupee that is available to cover fixed costs and contribute to profit. A higher ratio suggests that the company can reach its break-even point with lower sales volume. This ratio remains constant as long as the selling price and variable cost per unit are stable.

38. (A) Both A and R are true and R is the correct explanation of A.
The debt-equity ratio is a solvency metric that compares a company's total long-term debt to its total shareholders' equity. A high ratio indicates that the firm is heavily financed by creditors rather than owners. This increases financial risk because debt requires mandatory interest payments regardless of profit levels. If the firm faces a decline in earnings, these fixed obligations can lead to financial distress or even bankruptcy.

39. (D) Standard hours for actual output and actual hours worked.
Labour efficiency variance is a component of total labour variance that measures the productivity of the workforce. It is calculated by taking the difference between the standard hours allowed for the actual output and the actual hours worked, then multiplying it by the standard hourly rate. A favourable variance suggests that work was completed faster than expected, while an unfavourable variance indicates inefficiency or delays in the production process.

40. (A) Issue of shares for cash.
In a funds flow statement, a source of funds is any transaction that increases net working capital. The issue of equity shares for cash brings in long-term funds, which increases current assets without increasing current liabilities. Other transactions, like paying creditors or redeeming debentures, either decrease current assets or use up cash, thus being classified as applications. Purchasing machinery on credit increases both assets and liabilities, having no net effect.

NODIA

41. (C) (b), (c) and (d) only
Zero-base budgeting is characterized by the requirement that every budgetary request must be justified from a base of zero. It ignores historical spending levels and focuses on current needs and corporate objectives. This process involves creating decision packages that describe various activities and their associated costs. Ranking these packages helps in effective resource allocation. Unlike traditional budgeting, it is a comprehensive and time-consuming process that demands significant managerial involvement.

42. (A) Earnings Before Interest and Tax
Earnings before interest and tax is a measure of a firm's operating profitability. It is calculated by deducting operating expenses, such as the cost of goods sold and administrative costs, from total revenue. This figure represents the profit generated from core business operations before considering the impact of capital structure and tax obligations. It is widely used by analysts to compare the operational efficiency of companies across different industries.

43. (D) Current Ratio
DuPont analysis is a framework that breaks down the return on equity into three distinct financial components. These are the net profit margin, which measures profitability; the asset turnover ratio, which reflects asset efficiency; and the equity multiplier, which indicates financial leverage. By multiplying these three ratios, one can derive the total return on equity. The current ratio is a liquidity metric and is not part of this specific analytical framework.

44. (B) P-3, Q-1, R-4, S-2
Leverage and breakeven points are fundamental concepts in financial analysis. Operating leverage involves the use of fixed operating costs to magnify earnings before interest and tax. Financial leverage involves the use of fixed-interest-bearing debt to magnify earnings per share. Combined leverage is the product of these two, representing total risk. The financial breakeven point is the level of operating profit at which the earnings per share are exactly zero.

45. (C) Differential Cost
In a make-or-buy decision, management must compare the incremental costs of producing an item internally with the cost of purchasing it from an external supplier. Differential cost represents the change in total cost that results from choosing one alternative over another. Since fixed costs often remain unchanged regardless of the decision, they are typically irrelevant. Focusing on differential costs ensures that the decision is based on the actual financial impact.

46. (D) The preparation of budgets, coordination, and taking action based on results.
Budgetary control is a comprehensive system that involves more than just the preparation of financial plans. It includes the coordination of various departmental activities to ensure they align with organizational goals. Furthermore, it requires the continuous comparison of actual performance against budgeted figures. By analyzing any variances that arise and taking appropriate corrective actions, management can ensure that the organization remains on track to achieve its strategic objectives.

47. (A) For every ₹100 of sales, the contribution is ₹40.
The profit-volume ratio expresses the relationship between contribution and sales as a percentage. A ratio of 40% means that 40 paise of every rupee earned from sales is available to cover fixed costs and generate profit. The remaining 60% of the sales revenue goes toward covering variable costs. This ratio is a vital indicator of a company's profitability and its ability to withstand fluctuations in sales volume or costs.

48. (B) 6
Combined leverage measures the total sensitivity of a firm's earnings per share to changes in its sales volume. It is calculated by multiplying the degree of operating leverage by the degree of financial leverage. Operating leverage quantifies the effect of fixed operating costs, while financial leverage quantifies the impact of fixed interest expenses. By taking the product of these metrics, analysts can determine how significantly a percentage change in sales will impact the final returns.

49. (B) It is the expectation of shareholders regarding the return on their investment.
The cost of equity represents the return that shareholders require to compensate them for the risk of investing their capital in a company. Unlike debt, which has a contractually fixed interest rate, equity has no explicit cost. It is instead an implicit cost based on the opportunity cost of investors. Shareholders expect dividends and capital appreciation, and the company must earn at least this expected return to maintain its share price.

50. (A) (a) and (b) only
Explicit cost of capital refers to the discount rate that equates the present value of expected cash outflows with the net proceeds received

Click Here to Buy book on Amazon

from a source of finance. Debt and equity have clear, measurable costs in the form of interest and dividends expected by investors. Retained earnings and trade credit often have implicit costs, such as the opportunity cost of foregone returns. Financial managers focus on explicit costs when calculating the weighted average cost.

51. (D) Statement I is false, but Statement II is true.
Ratio analysis is a powerful tool for interpreting financial statements, but it is not a complete analysis on its own. A single ratio provides limited information and can be misleading without context. To be meaningful, ratios must be compared against historical data, industry standards, or competitors' performance. This comparison allows analysts to identify trends, strengths, and weaknesses. It is a starting point for deeper investigation rather than a final conclusion.

52. (D) Continue to operate for the foreseeable future.
The going concern principle is a fundamental accounting assumption that an entity will remain in operation for the foreseeable future. It assumes that the business has neither the intention nor the necessity to liquidate or significantly curtail its operations. This principle justifies recording assets at historical cost rather than their liquidation value and allows for the depreciation of assets over their useful lives. It provides the basis for accrual accounting.

53. (C) Paying a higher price for materials than the standard price.
Material price variance is the difference between the actual price paid for raw materials and the standard price set by the organization, multiplied by the actual quantity purchased. An unfavourable variance occurs when the actual cost exceeds the standard cost, indicating inefficiency in procurement or unexpected market price increases. Conversely, a favourable variance occurs when the materials are acquired at a lower price than the predetermined standard.

54. (B) All functional or subsidiary budgets and the budgeted financial statements.
The master budget is a comprehensive financial planning document that represents the integration of all departmental and functional budgets. it starts with the sales budget and includes production, materials, labour, and overhead budgets. It culminates in the preparation of budgeted financial statements, such as the income statement, balance sheet, and cash flow statement. The master budget provides a holistic view of the organization's planned activities and financial expectations.

55. (D) The amount of interest and preference dividend payments.
The financial breakeven point is the level of earnings before interest and taxes at which the earnings per share are exactly zero. This point is determined by the total amount of fixed financial charges the firm must pay. These charges typically include interest on debt and dividends on preference shares. If the firm earns exactly this amount, it covers its obligations to financiers but leaves nothing for the common equity shareholders.

56. (A) Decrease the weighted average cost of capital (WACC) and increase the value of the firm.
The net income approach to capital structure suggests that a firm can increase its total value by using more debt. This is based on the assumption that the cost of debt is lower than the cost of equity. As the proportion of cheaper debt increases, the weighted average cost of capital decreases, leading to a higher valuation of the firm. This theory assumes that the risk perception of investors remains unchanged.

NODIA

57. (A) Both A and R are true and R is the correct explanation of A.
Bonus shares are additional shares issued to existing shareholders without any cash consideration. This process involves the capitalization of the company's accumulated reserves and surplus. While the number of shares increases, the total shareholders' equity remains the same because funds are merely transferred from one equity account to another. It is a bookkeeping entry that does not change the firm's net worth or the proportional ownership of individual shareholders.

58. (A) Decrease in Working Capital
In a funds flow statement, a decrease in net working capital is considered a source of funds. This happens when current assets decrease or current liabilities increase, effectively releasing

resources for other uses. For instance, selling inventory or collecting receivables generates cash that can be applied elsewhere. Conversely, an increase in working capital means that more funds are tied up in current assets, which is classified as an application of funds.

59. (D) EBIT-EPS relationship
The indifference point between two financial plans is the specific level of earnings before interest and taxes at which both plans produce the same earnings per share. This point is identified through EBIT-EPS analysis, which helps management evaluate the impact of different capital structures. By comparing the EPS at various levels of operating profit, the firm can determine which financing option is more beneficial for shareholders under different economic conditions.

60. (B) 3, 2, 1, 4
A cost sheet follows a logical sequence to accumulate total product costs. It begins with the prime cost, which is the sum of direct materials, labour, and expenses. Next, factory overheads are added to arrive at the works cost. Then, administrative overheads are included to determine the cost of production. Finally, selling and distribution overheads are added to reach the cost of sales. This structured approach helps in detailed cost analysis.

61. (C) It provides a basis for future forecasting.
While financial statement analysis provides valuable insights, it has several inherent limitations. It is primarily based on historical data, which may not accurately reflect current or future market conditions. It can also be affected by variations in accounting policies and the potential for window dressing. Furthermore, it often ignores qualitative factors like management quality. However, providing a basis for future forecasting is generally considered a benefit rather than a limitation.

62. (D) Cash paid to acquire debentures of another company.
Investing activities in a cash flow statement include the acquisition and disposal of long-term assets and other investments. Purchasing debentures of another company is an investment of surplus funds, and the cash paid is an outflow under this category. Activities like issuing shares relate to financing, while paying suppliers or interest typically relate to operating activities. Monitoring investing cash flows is essential for understanding the company's long-term growth and resource allocation strategies.

63. (A) (a), (b) and (d) only
Marginal costing is a specialized costing technique that separates costs into fixed and variable categories. It values inventory based solely on variable manufacturing costs and treats all fixed costs as period expenses. This method is particularly useful for internal managerial decisions, such as setting prices or deciding whether to make or buy a component. It provides a clear picture of how changes in volume affect contribution and overall profit in the short term.

64. (B) If sales change by 1%, EPS will change by 4%.
Combined leverage measures the total risk of a firm by showing how sensitive earnings per share are to changes in sales revenue. It is the product of operating and financial leverages. A degree of combined leverage of 4 means that a 1% increase in sales will lead to a 4% increase in earnings per share. This magnification effect works in both directions, meaning a small decrease in sales would also significantly reduce shareholder returns.

NODIA

65. (B) Funds Flow Analysis is based on the working capital concept, while Cash Flow Analysis is based on the cash concept.
Funds flow analysis and cash flow analysis are both tools for assessing financial changes, but they use different definitions of liquidity. Funds flow analysis focuses on the movement of net working capital, which is the difference between all current assets and current liabilities. Cash flow analysis is more restrictive, tracking only the movement of cash and cash equivalents. This distinction makes cash flow analysis more suitable for assessing immediate liquidity and solvency.

66. (A) P-4, Q-3, R-2, S-1
Capital structure theories offer different perspectives on how financing affects firm value. The net income approach suggests that value increases with leverage. The net operating income approach argues that value remains

investments will maximize shareholder wealth. Effective capital budgeting is crucial for the long-term growth and survival of a firm, as it involves significant financial commitments that are often difficult to reverse.

115. (C) 1, 2, 3
In material cost analysis, variances are typically calculated in a structured sequence to provide a clear understanding of cost deviations. The material price variance is often determined first, focusing on procurement efficiency. This is followed by the material usage variance, which measures consumption efficiency. Finally, the material cost variance is calculated as the sum of price and usage variances, representing the total difference between the standard cost and the actual cost incurred for the materials.

116. (D) High profitability
The profit-volume ratio is a vital indicator of a company's profitability and its ability to cover fixed costs. A high ratio indicates that a large portion of each sales rupee is available as contribution. This means the company can reach its break-even point relatively quickly and generate higher profits from additional sales beyond that point. It also suggests that the company has a lower variable cost proportion, making its bottom line more sensitive to sales growth.

117. (C) It requires justifying all expenditures, rather than just incremental changes.
The most significant advantage of zero-base budgeting is its comprehensive approach to resource allocation. Unlike traditional budgeting, which typically adjusts the previous year's figures by a small percentage, zero-base budgeting starts from scratch. Every department must justify all its planned expenses for each new period. This process helps identify and eliminate wasteful spending and ensures that all activities are aligned with the current strategic goals of the organization, leading to more efficient financial management.

118. (B) (a), (b), (c) and (e) only
Budgetary control is a management system that uses budgets as a means of planning, coordinating, and controlling activities. Its primary purposes are to define clear goals, coordinate departmental efforts, evaluate performance against targets, and fix responsibility. It also serves to motivate employees to achieve organizational objectives. Ensuring that the previous year's performance is repeated is not a primary objective, as budgeting aims for continuous improvement and adaptation to new challenges and market opportunities.

119. (D) The plan with higher financial leverage will have a higher EPS.
In EBIT-EPS analysis, the indifference point is where two financing plans provide the same earnings per share. If the firm's operating profit rises above this level, the benefits of using cheaper debt become more significant. The extra earnings generated by the debt-funded assets exceed the fixed interest cost, and this surplus belongs to the common shareholders. Consequently, at higher EBIT levels, the plan with a greater proportion of debt will deliver a superior EPS.

120. (A) Cost of Current Assets
The cost of capital represents the weighted average of the costs of various long-term financing sources used by a company. These include debt, preference shares, and equity. Each source has a specific cost associated with the risk and returns expected by the investors. Current assets are short-term resources and their cost is not typically a component of the long-term cost of capital calculation. Instead, they are part of the firm's working capital management focus.

121. (C) To provide information about cash inflows and outflows during a period.
The primary objective of a cash flow statement is to provide detailed information about the movement of cash and cash equivalents within an organization over a specific time period. It categorizes these movements into operating, investing, and financing activities. By highlighting where cash is coming from and where it is going, the statement helps stakeholders assess the firm's liquidity, solvency, and its ability to generate sufficient cash to meet future obligations and fund growth.

122. (A) Both A and R are true and R is the correct explanation of A.
Marginal costing is a powerful analytical tool for short-term decision-making because it focuses on the distinction between fixed and variable costs. By identifying how costs behave

Downloaded from www.pdf.tube

the profit-volume ratio. The profit-volume ratio represents the proportion of each sales rupee that contributes toward covering fixed costs. Applying this formula helps managers determine the minimum revenue required to sustain operations and avoid financial losses in the business.

75. (D) To start the budget from a zero base, justifying every expenditure.
Zero-base budgeting is a method where every budgetary request must be fully justified, regardless of whether it was included in previous years. It ignores historical spending and requires managers to evaluate every activity from a base of zero. This approach forces an organization to prioritize its spending based on current needs and objectives. It helps in identifying redundant activities and ensures that resources are allocated to the most value-adding projects and functions.

76. (A) Both Statement I and Statement II are true, and Statement II is the correct explanation of Statement I.
Debt is generally considered a cheaper source of finance than equity for two primary reasons. First, debt holders have a prior claim on assets and income, making their investment less risky than that of shareholders. Consequently, they require a lower rate of return. Second, interest payments on debt are tax-deductible expenses, which reduces the effective cost to the company. These factors make debt an attractive option for reducing the weighted average cost.

77. (C) Use of fixed costs to magnify returns to shareholders.
Leverage in a financial context refers to the use of fixed costs to amplify the impact of changes in revenue on earnings. There are two main types: operating leverage and financial leverage. Operating leverage involves fixed operating costs like rent and depreciation. Financial leverage involves fixed financial costs like interest payments. By utilizing these fixed costs, a company can potentially achieve much higher returns for its shareholders when sales or profits increase.

78. (D) Examining the effect of different financing plans on earnings per share.
EBIT-EPS analysis is a financial planning tool used to evaluate how different combinations of debt and equity affect the earnings available to common shareholders. By plotting EPS against various levels of operating profit, management can identify the most advantageous capital structure. This analysis is particularly useful for determining the indifference point where different plans are equally beneficial. It helps in making informed financing decisions that aim to maximize shareholder wealth.

79. (A) Balance Sheet
The balance sheet is a fundamental financial statement that provides a snapshot of a company's financial position at a specific point in time. It lists the entity's assets, which are resources owned; its liabilities, which are obligations owed to others; and its shareholders' equity, which is the residual interest. The relationship is governed by the accounting equation where assets must equal the sum of liabilities and equity. It helps assess solvency and liquidity.

80. (B) (Standard Quantity - Actual Quantity) x Standard Price
Material usage variance is a part of total material variance that focuses on the efficiency of material consumption during production. It is calculated by taking the difference between the standard quantity allowed for actual output and the actual quantity used, then multiplying it by the standard price per unit. A favourable variance indicates that materials were used efficiently, while an unfavourable variance suggests wastage, theft, or poor quality materials that required more consumption.

81. (B) 2, 1, 4, 3
Different sources of finance have different costs based on their risk profile and tax implications. New equity shares are typically the most expensive due to high investor expectations and flotation costs. Retained earnings are next, as they carry an opportunity cost equal to the cost of equity. Preference shares are generally cheaper than equity but more expensive than debt. Debentures are often the cheapest because interest is tax-deductible and creditors face lower risk.

82. (A) (a), (b), (c) and (d) only
Sources of finance are the various ways a company can raise capital to fund its operations

NODIA

constant as the overall cost of capital is stable. The traditional approach posits that an optimal capital structure exists. The MM hypothesis, in its simplest form, states that financing decisions are irrelevant to firm value. Each theory rests on specific assumptions.

67. (C) Sales Budget
The production budget is a secondary budget that determines the number of units a company must manufacture to meet its sales targets. It is derived directly from the sales budget, after adjusting for the desired levels of opening and closing finished goods inventory. Without an accurate sales forecast, it is impossible to plan production levels efficiently. This budget ensures that the organization can satisfy customer demand while managing its manufacturing resources and inventory.

68. (D) An opportunity cost, equivalent to what shareholders could earn on similar investments.
Retained earnings are profits that a company keeps rather than distributing as dividends. While there is no explicit payment for these funds, they carry an implicit opportunity cost. This cost is equivalent to the return that shareholders could have earned if the money had been paid out and invested elsewhere in projects with similar risk. Therefore, the cost of retained earnings is generally considered to be equal to the cost of equity.

69. (C) The total revenue line intersects the total cost line.
On a cost-volume-profit graph, the break-even point is visually represented as the intersection where the total revenue line crosses the total cost line. At this specific point, the company earns zero profit, as its total earnings exactly equal its total expenses. Below this point, the cost line is above the revenue line, indicating a loss. Above this point, the revenue exceeds costs, resulting in profit. It is a fundamental tool for planning.

70. (A) Both A and R are true and R is the correct explanation of A.
DuPont analysis is a sophisticated financial tool that provides a more comprehensive view of a firm's performance than the basic return on equity ratio. It achieves this by breaking ROE down into three component ratios: net profit margin, asset turnover, and financial leverage. This dissection allows managers and analysts to identify exactly which operational or financial factors are driving changes in shareholder returns. It highlights areas of strength and potential efficiency improvements.

71. (D) Determining the appropriate mix of debt and equity.
Financial managers are responsible for making three key types of decisions: investment, financing, and dividend decisions. Choosing the right mix of debt and equity is a core financing decision that directly affects the company's cost of capital and its overall risk profile. Other functions like marketing or hiring are the responsibility of other specialized managers. Financial management focuses on ensuring the firm has adequate capital and uses it efficiently to maximize value.

72. (A) Actual cost is more than standard cost.
In standard costing, a negative or adverse variance occurs when the actual cost incurred for production exceeds the predetermined standard cost. This indicates that resources were used inefficiently or were more expensive than expected. Unfavourable variances alert management to potential problems that require investigation and corrective action. By monitoring these variances, organizations can maintain control over their spending and work toward achieving their operational efficiency and cost targets.

73. (C) (a) and (c) only
Liquidity ratios are used to assess a company's ability to meet its short-term financial obligations as they fall due. The current ratio and the quick ratio are the most common examples of these metrics. The current ratio considers all current assets, while the quick ratio focuses on the most liquid ones, excluding inventory. In contrast, gross profit is a profitability ratio, and the debt-equity ratio is a solvency ratio that measures long-term stability.

74. (A) ₹80,000
The break-even point in sales value is the level of turnover at which a company covers all its costs without making a profit or a loss. This is calculated by dividing the total fixed costs by

Click Here to Buy book on Amazon

cash budgets, which plan for specific operational areas. A master budget integrates all of these into a single plan. A "variance budget" is not a standard type of budget; rather, a variance is the result of comparing actual performance against any of the established budgets. Budgets serve as benchmarks for planning and control.

91. (D) (a), (b) and (c) only
Ratio analysis is a valuable tool for interpreting financial data, but it faces several challenges. It can be distorted by window dressing, where firms manipulate statements to look better. It also fails to account for inflation or changes in price levels over time. Furthermore, comparing ratios between companies can be difficult if they use different accounting policies. Therefore, while useful, it should not be the sole basis for making definitive conclusions about financial health.

92. (B) EBIT required to cover fixed financial charges.
The financial breakeven point is a specific level of earnings before interest and taxes. At this level, the company's operating profit is exactly equal to its fixed financial obligations, such as interest on debt and dividends on preference shares. Consequently, the earnings available to common shareholders are zero. This metric helps management understand the minimum operating performance required to satisfy the firm's financial commitments to lenders and preference shareholders before any equity returns.

93. (A) Both Statement I and Statement II are true.
Combined leverage measures the total risk of a company by showing how sensitive earnings per share are to changes in sales revenue. It is the product of operating and financial leverages. Operating leverage arises from fixed operating costs, while financial leverage arises from fixed financial charges. By combining these, the firm can see the total magnification effect. High combined leverage indicates that a small change in sales will have a massive impact on the final profit.

94. (D) Ascertaining the total cost and cost per unit of a product.
A cost sheet is an internal document used primarily for cost accounting purposes. Its main objective is to provide a detailed breakdown of all costs incurred during the production of a specific product or service. This includes direct materials, labour, and various overheads. By calculating both the total cost and the cost per unit, management can set appropriate selling prices, identify areas for cost reduction, and evaluate the overall profitability of different product lines.

95. (A) (Net Profit Margin) x (Asset Turnover) x (Equity Multiplier)
The DuPont analysis provides a comprehensive framework for understanding a company's return on equity. It breaks down ROE into three key components: profitability, asset efficiency, and financial leverage. The net profit margin measures how much profit is earned per rupee of sales. Asset turnover indicates how effectively assets are used to generate revenue. The equity multiplier shows the extent of debt financing. Multiplying these three ratios reveals the underlying drivers of shareholder returns and performance.

NODIA

96. (B) Capital Asset Pricing Model
Theories of capital structure, such as the net income approach, net operating income approach, and Modigliani-Miller approach, explore how the mix of debt and equity affects a firm's value and cost of capital. In contrast, the capital asset pricing model is a framework used to determine the required rate of return for an asset based on its systematic risk. While related to financial management, it is primarily an asset pricing model rather than a capital structure theory.

97. (B) A decrease in the break-even point.
The break-even point is inversely related to the contribution margin per unit. When the selling price per unit increases, while costs remain constant, the contribution margin also increases. A higher contribution margin means that fewer units need to be sold to cover the total fixed costs of the business. Consequently, an increase in the selling price leads to a lower break-even point, reducing the sales volume required for the company to start making a profit.

98. (A) Sales Budget
The budgeting process typically begins with the preparation of the sales budget because it provides the foundation for all other activities.

and growth. These include long-term sources like debentures and retained earnings, as well as short-term sources like bank loans and trade credit. Each source has its own characteristics regarding cost, risk, and control. Purchase of fixed assets is an application of funds, not a source. Selecting the right mix of these sources is a key financing decision.

83. (C) Operating Leverage
Operating leverage arises when a company has fixed operating costs in its cost structure. These costs, such as rent and salaries, do not change with the volume of production. As a result, any change in sales leads to a more than proportionate change in operating profit. A high proportion of fixed costs relative to variable costs results in high operating leverage. This increases business risk because the firm must maintain a minimum sales level.

84. (D) The value of the levered firm is greater than the value of the unlevered firm due to the tax shield on debt.
In their revised theory, Modigliani and Miller introduced the impact of corporate taxes on capital structure. They argued that because interest payments are tax-deductible, using debt creates a tax shield that increases the total value of the firm. Consequently, a levered firm will be more valuable than an identical unlevered firm. This suggests that companies should use as much debt as possible to maximize their market value, assuming no bankruptcy costs exist.

85. (C) Obsolete or slow-moving stock.
The inventory turnover ratio measures how many times a company sells and replaces its stock during a specific period. A low ratio suggests that inventory is sitting in the warehouse for a long time without being sold. This can be a sign of poor sales performance, overstocking, or the presence of obsolete items. Efficient inventory management aims for a higher turnover to minimize holding costs and ensure that the products are moving through the system.

86. (A) Both A and R are true and R is the correct explanation of A.
In a cash flow statement, investing activities encompass the acquisition and disposal of long-term assets such as land, buildings, and machinery. When a company purchases a fixed asset, it results in a cash outflow, which must be reported under this category. This classification helps stakeholders understand how much the company is investing in its future productive capacity. It clearly distinguishes these capital expenditures from daily operating expenses and financing activities like raising loans.

87. (D) Allocation of funds to various assets
Financial management is concerned with the efficient procurement and utilization of funds to achieve an organization's goals. A primary function is the allocation of funds, also known as the investment decision. This involves deciding which long-term projects to undertake and how much to invest in current assets. By carefully selecting where to deploy capital, the finance manager aims to maximize the firm's profitability and ensure its long-term financial stability and growth.

88. (A) Fixed Costs / Contribution per unit
The break-even point in units is the specific volume of sales at which total revenue exactly equals total costs. It is calculated by dividing the total fixed costs by the contribution margin per unit. The contribution margin is the difference between the selling price and the variable cost per unit. This calculation helps management determine the minimum production level required to avoid a loss. Any units sold beyond this point will contribute directly to profit.

89. (A) P-2, Q-1, R-4, S-3
Various accounting techniques are used for different purposes in financial and cost management. Cost-volume-profit analysis explores the relationship between costs, volume, and profitability. Standard costing is used for setting targets and controlling costs through variance analysis. Marginal costing focuses on variable costs for short-term decision-making. Budgetary control is a system that uses budgets as a means of planning and coordination. Together, these tools provide a framework for effective organizational control and strategic planning.

90. (A) Variance Budget
Budgets are categorized based on their function or purpose within an organization. Common types include sales budgets, production budgets, and

Downloaded from www.pdf.tube

106. (A) Plan B
When evaluating different financing plans at a specific level of earnings before interest and taxes, the primary goal is to select the option that maximizes the earnings per share for the shareholders. In this scenario, Plan B offers a higher EPS than Plan A at the same level of operating profit. Therefore, Plan B is the superior choice from the perspective of enhancing shareholder wealth at this particular level of business performance.

107. (B) P-4, Q-2, R-1, S-3
Each financial statement serves a distinct purpose in providing information about an entity. The balance sheet shows the financial position at a specific point in time. The profit and loss account reveals performance over a period. The cash flow statement explains changes in the cash position. The funds flow statement analyzes changes in net working capital. Together, these statements offer a complete view of a company's financial health, performance, and resource movements.

108. (B) Realization Principle (Revenue Recognition)
The realization principle, also known as the revenue recognition principle, dictates that revenue should be recorded in the accounting books when it is earned, regardless of when the actual cash is received. This usually occurs when goods are delivered or services are rendered, and there is a reasonable certainty of collection. This principle is a cornerstone of accrual accounting, ensuring that financial statements accurately reflect the economic activities of the business during a period.

109. (C) One
The degree of operating leverage measures how sensitive a firm's operating income is to changes in sales. It is calculated by dividing the contribution by the operating profit. If a firm has no fixed operating costs, its contribution will be exactly equal to its operating profit. Consequently, the ratio will be one. This means that a 1% change in sales will result in exactly a 1% change in operating profit, indicating no leverage effect.

110. (D) A public deposit scheme.
Sources of finance are the various methods a company uses to acquire the capital needed for its operations and growth. A public deposit scheme is a way for companies to raise funds directly from the public, serving as a source of capital. Other transactions like repaying loans, purchasing investments, or paying dividends are applications of funds, as they represent the use or outflow of the company's financial resources for specific obligations or investments.

111. (A) All (a), (b), (c) and (d)
Total cost, as presented in a standard cost sheet, is the sum of all expenses incurred from the beginning of production until the product is sold. It starts with the prime cost, which includes direct materials and labour. Factory overheads are added to get the works cost. Then, administrative overheads are included for the cost of production. Finally, selling and distribution overheads are added to reach the total cost, which serves as the basis for pricing.

112. (B) The mix of long-term sources of funds, such as debt and equity.
Capital structure refers to the specific combination of long-term debt and equity used by a company to finance its operations and growth. It includes various instruments such as common stock, preference shares, debentures, and long-term loans. The choice of capital structure is a critical decision because it affects both the weighted average cost of capital and the overall risk profile of the firm. Managers aim to find an optimal mix that maximizes shareholder wealth.

NODIA

113. (A) Both Statement I and Statement II are true.
The indifference point is a critical level of earnings before interest and taxes where different financing plans yield the same earnings per share. Below this point, the burden of fixed interest payments outweighs the benefits of leverage, making the plan with less debt more attractive for shareholders. Above this point, the higher earnings generated from debt funds exceed the interest cost, so the plan with higher leverage is preferable as it leads to a higher EPS.

114. (A) Capital Budgeting
The investment decision in financial management involves the allocation of scarce capital among various competing long-term projects. This process is commonly known as capital budgeting. It requires evaluating the potential risks and returns of each project to ensure that the chosen

130. (A) One should anticipate no profits but provide for all possible losses.
The conservatism or prudence principle is a fundamental accounting guideline that ensures financial statements are not overstated. It suggests that accountants should exercise caution and record all potential losses as soon as they are anticipated. However, revenues and profits should only be recognized when they are realized or certain. This approach prevents the inflation of asset values and ensures that stakeholders receive a realistic and cautious view of the company's financial position and performance.

131. (C) All (a), (b), (c) and (d)
Determining the cost of capital involves considering multiple internal and external factors. The risk-free rate of interest serves as the basic foundation. The specific business and financial risks of the firm then determine the risk premium required by investors. Market conditions, reflected in the stock price, also influence equity costs. Finally, the floatation costs incurred when issuing new securities must be accounted for. All these elements combined define the weighted average cost of capital.

132. (D) Determining how much profit to distribute to shareholders and how much to retain.
The dividend decision is a critical function of financial management that involves balancing the needs of the company with the expectations of its shareholders. Managers must decide what portion of the net profit should be paid out as dividends and how much should be retained for reinvestment in the business. This decision depends on several factors, including the firm's investment opportunities, its liquidity position, and its desired capital structure for future growth.

133. (D) Statement I is false, but Statement II is true.
A funds flow statement is an analytical tool that identifies the causes of changes in a company's financial position between two different balance sheet dates. To prepare this statement, data from at least two consecutive years' balance sheets is required to observe the movements in assets, liabilities, and equity. It provides a summary of where funds came from and how they were used during the period, highlighting the net change in the firm's working capital position.

134. (B) Asset Turnover
In the DuPont analysis framework, asset turnover is the component that measures a company's efficiency in using its total assets to generate sales revenue. It is calculated by dividing total sales by average total assets. A higher turnover ratio indicates that the firm is more effective at deploying its resources to drive business activity. This ratio, when combined with the net profit margin and the equity multiplier, explains the overall return on equity achieved by the firm.

135. (D) The level of inventory changes significantly during the period.
Cost-volume-profit analysis is based on several simplifying assumptions to make the relationship between variables manageable. It assumes that selling prices and variable costs per unit remain constant and that costs can be clearly divided into fixed and variable components. It also typically assumes that the volume of production equals the volume of sales, meaning that inventory levels remain stable. Significant changes in inventory would complicate the analysis by affecting the allocation of fixed costs.

136. (A) Debt (Debentures/Loans)
One of the primary advantages of debt financing is the interest tax shield. Under most tax laws, interest paid on loans and debentures is considered a deductible business expense, which reduces the company's taxable income and its overall tax liability. This tax-deductibility lowers the effective cost of debt compared to equity or preference shares, where dividends are usually paid out of after-tax profits. This makes debt an attractive option for reducing the weighted average cost.

137. (C) Items having an insignificant economic effect may be ignored or treated in an expedient manner.
The materiality principle in accounting suggests that financial statements should focus on significant information that could influence the decisions of a reasonable user. Items that are so small or insignificant that they would not affect an investor's judgment can be treated in a simplified manner, such as being expensed immediately rather than capitalized. This principle helps keep financial reports concise and relevant, preventing

Click Here to Buy book on Amazon

with changes in volume, it helps managers understand the contribution margin of different products or projects. This information is essential for evaluating alternatives like special orders or make-or-buy decisions. It provides a clear picture of the financial impact of each choice on the company's overall profitability.

123. (D) 1.60
Combined leverage measures the total risk of a company by integrating the effects of operating and financial leverages. It is mathematically defined as the product of the degree of operating leverage and the degree of financial leverage. Therefore, to find the financial leverage, one must divide the combined leverage by the operating leverage. This relationship helps analysts understand how both fixed operating and financial costs contribute to the magnification of returns or losses for the common shareholders.

124. (B) The perception of investors regarding the risk of the firm is not affected by leverage.
The net operating income approach to capital structure assumes that the weighted average cost of capital remains constant, regardless of the level of debt. This is because the approach posits that investors do not change their overall risk perception as leverage increases. While debt is cheaper, the required return on equity increases just enough to offset the lower cost of debt. Therefore, the total value of the firm is independent of its financing mix and capital structure.

125. (B) P-3, Q-4, R-2, S-1
Cost-volume-profit analysis utilizes several interrelated formulas to assist in financial planning and decision-making. The break-even point in value is found by dividing fixed costs by the profit-volume ratio. The margin of safety represents the difference between total and break-even sales. The profit-volume ratio shows the relationship between contribution and sales. To find the sales required for a specific target profit, fixed costs and desired profit are combined and then divided by the P/V ratio.

126. (D) Redemption of preference shares
In a funds flow statement, an application of funds refers to any transaction that results in a decrease in net working capital or the use of long-term capital for specific purposes. Redemptive actions, such as paying back preference shareholders, represent a significant use of the company's financial resources. Other items like issuing shares or selling assets are sources of funds, while funds from operations represent the internal generation of capital through the firm's primary business activities.

127. (A) The risk of being unable to meet fixed financial obligations.
Financial distress occurs when a company's operating profits are insufficient to cover its fixed financial charges, such as interest and debt repayments. This situation is often caused by excessive financial leverage or a significant decline in business performance. High fixed obligations increase the risk of default and bankruptcy if the firm faces economic downturns. Managing capital structure to avoid such distress is a critical responsibility of financial managers to ensure the company's long-term survival and stability.

128. (B) Can be adjusted to different levels of activity.
A flexible budget is a dynamic planning tool that provides different sets of estimated costs and revenues based on various levels of activity. Unlike a fixed budget, which is set for a single production volume, a flexible budget allows management to compare actual performance against a benchmark that is relevant to the actual volume achieved. This makes it a far more effective tool for control and performance evaluation in businesses where activity levels fluctuate.

129. (B) It is a system that can be used only in manufacturing industries.
Standard costing is a versatile management control system that involves setting predetermined costs for activities and comparing them with actual results. While it is widely used in manufacturing to control production costs, it is also highly effective in service industries, such as banking or healthcare, where standard procedures can be established. It helps in measuring efficiency, exercising cost control, and facilitating the principle of management by exception by highlighting significant deviations from planned performance.

Downloaded from www.pdf.tube

The estimated sales volume determines the requirements for production, which in turn dictates the needs for materials, labour, and factory overheads. Cash requirements and administrative plans also follow the projected sales revenue. Without a reliable sales forecast, it is impossible to create an accurate and coordinated master budget for the entire organization.

99. (C) Actual performance is better than standard or budgeted performance.
In variance analysis, a favourable variance occurs when the actual results are better than the predetermined standards or budgeted figures. For costs, this means the actual expenditure was lower than expected. For revenue, it means the actual sales were higher than planned. Favourable variances generally indicate efficient use of resources or better-than-expected market conditions. Management monitors these variances to identify best practices and areas where the company is performing exceptionally well against its targets.

100. (D) Working capital management and liquidity.
The operating cycle measures the time elapsed between the purchase of raw materials and the collection of cash from sales. It encompasses inventory processing time and the accounts receivable collection period. By analyzing the length of this cycle, managers can assess how efficiently the company manages its current assets and liabilities. A shorter cycle improves liquidity and reduces the need for external working capital financing, making it a vital metric for short-term financial health.

101. (C) (a), (b), and (d) only
Accounting principles must possess certain characteristics to be effective in providing reliable financial information. Objectivity ensures that data is based on factual evidence rather than personal bias. Feasibility means that the principles can be implemented without undue cost or complexity. Relevance ensures that the information is useful for decision-making. While principles should be consistent, they are not intended to be rigid or unnecessarily complex, as they must adapt to changing business environments.

102. (B) Capital Expenditure Budget
Operating budgets focus on the day-to-day activities of a business and include plans for sales, production, and various operating expenses. These budgets cover a specific short-term period, typically one year. In contrast, the capital expenditure budget is concerned with long-term investments in fixed assets like land, buildings, and machinery. Because it deals with strategic long-term goals rather than routine operations, it is generally treated as a separate category from the primary operating budgets.

103. (D) Depreciation on fixed assets
In the context of a funds flow statement, depreciation is considered a non-fund or non-operating item. Although it is an expense in the profit and loss account, it does not involve an actual outflow of working capital. To calculate funds from operations, depreciation is added back to the net profit because it reduced profit without reducing the current funds of the business. Other items like issuing shares or selling machinery involve actual movements of capital.

104. (A) Both A and R are true and R is the correct explanation of A.
Retained earnings represent the portion of profits kept by a company for reinvestment. Although there is no explicit interest or dividend payment, these funds carry an implicit opportunity cost. This is because shareholders could have earned a return elsewhere if these profits had been distributed as dividends. Therefore, a firm must earn at least the same return on retained earnings as shareholders could earn on similar investments to justify the retention of those funds.

105. (C) Contribution
In marginal costing, contribution is the difference between sales revenue and total variable costs. It represents the amount available to cover fixed costs and then contribute to the firm's profit. Contribution is a more useful metric than gross profit for short-term decision-making because it highlights the direct financial impact of volume changes. Once total contribution exceeds total fixed costs, the company begins to earn a profit. It is fundamental for break-even analysis.

NODIA

them from being cluttered with trivial details that lack economic importance.

138. (A) Combined leverage reflects the overall risk of the firm from sales to EPS.
Combined leverage represents the total risk profile of a company by integrating the effects of both operating and financial leverages. Operating leverage arises from fixed operating costs, affecting the relationship between sales and operating income. Financial leverage arises from fixed financial charges, affecting the link between operating income and earnings per share. Together, they measure the sensitivity of shareholder returns to changes in sales. High combined leverage indicates a high degree of total business risk.

139. (D) It can be either Operating or Financing for a non-financial company, but must be consistent.
In a cash flow statement, the classification of interest paid can vary depending on the accounting standards followed. Many frameworks allow non-financial companies to classify interest paid as either an operating activity, as it enters into the determination of net profit, or as a financing activity, as it is a cost of obtaining financial resources. Regardless of the choice made, the company must apply the classification consistently from one period to the next to ensure comparability.

140. (A) Both A and R are true and R is the correct explanation of A.
Financial leverage involves the use of fixed-interest-bearing debt to finance a firm's assets. When a company earns a return on its assets that is higher than the interest rate paid on its debt, the surplus increases the earnings available to the common shareholders. This magnification effect results in a higher earnings per share than would be achieved with equity financing alone. This benefit is the primary reason why firms use debt in their capital structure.

141. (C) (a), (b) and (d) only
Budgets can be classified in various ways, including by their function within the organization. Functional budgets relate to specific areas of operation, such as the sales budget, production budget, and cash budget. These are used to plan and control the activities of individual departments. In contrast, budgets like the flexible budget are classified by their capacity for adjustment, while the master budget is an integrated summary of all functional budgets into a single financial plan.

142. (D) Degree of Operating Leverage
The degree of operating leverage measures the sensitivity of a firm's operating profit to changes in its sales volume. It is calculated as the ratio of contribution to earnings before interest and taxes. Contribution is the difference between sales and variable costs. If a firm has high fixed operating costs, its operating profit will change by a much larger percentage than its sales. This ratio helps managers understand the business risk associated with their cost structure.

143. (A) Equity Shares
Long-term sources of finance provide capital to a company for a period typically exceeding five to ten years. Equity shares are a primary example, as they represent permanent ownership capital that does not need to be repaid. These funds are used for purchasing fixed assets and funding long-term growth. In contrast, bank overdrafts, trade credit, and public deposits are generally short-to-medium-term sources used to manage working capital and meet immediate financial needs during the operating cycle.

144. (B) The value of the firm can be increased by a judicious mix of debt and equity.
The traditional approach to capital structure argues that there is an optimal mix of debt and equity that maximizes the firm's value and minimizes its overall cost of capital. According to this theory, adding a moderate amount of debt can lower the weighted average cost because debt is cheaper than equity. However, if the firm takes on too much debt, the increased risk will cause the costs of both debt and equity to rise, eventually decreasing the firm's value.

145. (B) Material Mix Variance
In standard costing, a material mix variance occurs when the actual proportion of different materials used in production deviates from the predetermined standard mix. This variance helps management identify whether the cost changes are due to using different grades or types of materials than originally planned. It is a sub-

Click Here to Buy book on Amazon

Break-even analysis is a core part of cost-volume-profit studies. Understanding these relationships is essential for accurately interpreting financial data and making informed decisions about a company's performance, risk profile, and strategic direction.

208. (B) To ascertain costs and facilitate cost control and decision making.
The primary purpose of preparing a cost sheet is to provide a detailed and structured breakdown of all the various costs involved in the production of a good or service. This internal document helps management determine the total cost and the cost per unit, which are essential for setting competitive selling prices. Furthermore, it allows for the identification of inefficiencies and provides a basis for cost control, helping the company improve its operational productivity and overall profitability in a competitive market.

209. (A) Both A and R are true and R is the correct explanation of A.
In their refined theory, Modigliani and Miller argued that when corporate taxes are considered, the use of debt becomes highly advantageous. This is because interest payments are tax-deductible, creating an interest tax shield that increases the total value of the firm. In a theoretical world with no bankruptcy costs, this logic suggest that a firm should maximize its debt to 100% to achieve the highest possible valuation. This highlight the significant impact of tax laws on capital structure decisions.

210. (A) Financial Risk
Financial risk is the possibility that a company will be unable to meet its fixed financial obligations, such as interest payments on debt and dividends on preference shares. This risk arises from the firm's choice of capital structure and the proportion of fixed-cost funds used to finance its assets. If operating profits fluctuate or decline, the burden of these mandatory payments becomes more significant, potentially leading to financial distress. Managing this risk is a core responsibility of the firm's financial leadership.

211. (C) (a), (b) and (d) only
Leverage is a fundamental concept in financial management that measures the magnification of returns or risks. Operating leverage arises from fixed operating costs, and financial leverage arises from fixed financial charges. Combined leverage integrates both to measure total risk. "Production leverage" is not a standard term used in the study of financial management. Understanding the interaction between operating and financial leverages helps managers assess how changes in sales will impact the final earnings available to the common shareholders of the company.

212. (D) A high level of combined leverage and high total risk.
A company that employs both high operating leverage and high financial leverage is in a high-risk position. High operating leverage means that operating profit is very sensitive to sales changes due to large fixed costs. High financial leverage means that earnings per share are very sensitive to changes in operating profit due to large interest payments. The product of these two is a very high degree of combined leverage, meaning small sales fluctuations will result in massive changes in shareholder returns.

213. (C) Their relative costs, risks, and control implications.
Choosing between different sources of finance, such as equity, debt, or preference shares, is a strategic decision that requires balancing several key factors. Management must evaluate the relative explicit and implicit costs of each source to minimize the overall cost of capital. They must also consider the risk implications, as debt increases financial risk. Finally, they must assess how each option affects the control and ownership of existing shareholders. This multi-dimensional analysis ensures a sustainable and efficient capital structure.

NODIA

214. (B) At the break-even point, total revenue equals total cost.
The break-even point is a critical threshold in cost-volume-profit analysis. It represents the specific sales volume where the company's total revenue from operations exactly equals its total expenses, including both variable and fixed costs. At this point, the firm earns zero profit and incurs zero loss. It is the level where the total contribution margin is just sufficient to cover all fixed costs. Understanding this point helps management set sales targets and evaluate the safety margin of their business.

two long-term accounts—one liability and one fixed asset. Since there is no movement in current assets or current liabilities, the net working capital remains unchanged. Such non-cash transactions are generally excluded from the funds flow statement, as they do not involve the immediate movement of liquid resources.

154. (B) P-4, Q-3, R-2, S-1
In standard costing, variances are used to identify the specific causes of deviations from planned costs. Material price variance is caused by changes in the purchase price of raw materials. Labour rate variance arises from changes in the wages paid to workers. Material usage variance reflects inefficiencies in the consumption of materials during production. Labour efficiency variance measures the productivity of the workforce. Understanding these specific causes allows management to take targeted corrective actions.

155. (D) Financial Leverage
Trading on equity is a financial strategy where a company uses fixed-interest-bearing debt to finance its assets, hoping to earn a return that exceeds the cost of borrowing. This surplus return then belongs to the equity shareholders, magnifying their earnings per share. This concept is the essence of financial leverage. When used successfully, it enhances shareholder wealth; however, it also increases the financial risk, as interest must be paid regardless of the company's profitability.

156. (B) Presenting financial data in a more attractive but potentially misleading way.
Window dressing is a practice used by some companies to manipulate their financial statements to present a more favourable picture of their financial health than actually exists. This often involves taking specific actions just before the end of the accounting period, such as delaying payments to creditors or accelerating sales recognition. While these actions may be technically legal, they are intended to mislead stakeholders like investors and lenders about the company's true liquidity and performance.

157. (C) Degree of Financial Leverage
The degree of financial leverage is a measure of how sensitive a firm's earnings per share are to changes in its operating profit. It is calculated as the ratio of earnings before interest and taxes to earnings before tax. This ratio highlights the impact of fixed interest charges on shareholder returns. A higher ratio indicates that the firm has a larger proportion of debt in its capital structure, leading to greater financial risk and potential for magnified returns.

158. (D) The overall capitalization rate (Ko) remains constant for all degrees of leverage.
The net operating income approach to capital structure is based on the assumption that the total value of a firm is independent of its financing mix. According to this theory, the overall capitalization rate or weighted average cost of capital remains constant for all levels of leverage. As the firm uses more cheaper debt, shareholders perceive higher risk and demand a higher return on equity, which exactly offsets the benefit of the lower-cost debt.

159. (A) (a), (b), (c) and (d) only
Financial management is primarily concerned with the efficient acquisition, allocation, and utilization of capital. Its key objectives include ensuring that adequate funds are available for operations, deploying these funds effectively to maximize returns, and maintaining the safety of investments. It also aims to achieve an optimal capital structure to minimize the cost of capital. Setting the selling price is generally a marketing or general management function, although it is influenced by cost and profit considerations.

160. (B) Its contribution margin is negative.
In marginal costing, the contribution margin is the primary indicator of whether a product is financially viable. If a product's selling price is lower than its variable cost, it has a negative contribution, meaning it loses money on every unit sold. In such cases, the product should be discontinued because it is not even covering its own variable expenses. If the contribution is positive, it may be kept in the short term as it contributes toward fixed costs.

161. (B) Master Budget
The budgeting process is a coordinated effort that involves preparing various functional budgets for different departments. The final output of this entire process is the master budget. This

Downloaded from www.pdf.tube

comprehensive document integrates the sales, production, materials, labour, and overhead budgets into a single unified plan. It culminates in budgeted financial statements, providing management with a holistic view of the company's planned financial performance and position for the upcoming period. It serves as the ultimate benchmark.

162. (A) Both A and R are true and R is the correct explanation of A.
A cash flow statement is often considered a more precise measure of a firm's immediate liquidity than a funds flow statement. This is because cash flow analysis focuses strictly on the movement of cash and cash equivalents, which are the most liquid assets. In contrast, funds flow analysis uses the broader concept of working capital, which includes items like inventory that may take time to convert. Cash flow provides more direct insight into a firm's ability to pay.

163. (C) Financial leverage
Financial leverage arises from the presence of fixed financial costs in a company's capital structure. While interest on debt is the most common example, preference shares also contribute to financial leverage because they require the payment of a fixed dividend. These fixed obligations must be met before any earnings are available for the common shareholders. Like debt, preference capital magnifies the impact of changes in operating profit on the final earnings per share available to equity holders.

164. (D) Prime Cost + Factory Overheads
In a standard cost sheet, the works cost, also known as factory cost, represents the total cost incurred within the manufacturing facility. It is calculated by adding the total factory overheads to the prime cost. Prime cost includes direct materials, direct labour, and direct expenses. Factory overheads consist of indirect costs like factory rent, utilities, and depreciation of machinery. This figure reflects the cost of transforming raw materials into semi-finished or finished products before administrative expenses.

165. (C) Activity Ratio - Interest Coverage Ratio
Financial ratios are classified based on the specific aspect of performance they measure. The interest coverage ratio is a solvency ratio because it assesses a company's ability to meet its long-term debt obligations. In contrast, activity ratios, such as inventory or debtors turnover, measure how efficiently a firm uses its assets to generate sales. Therefore, matching the interest coverage ratio with the activity category is incorrect. Proper classification is essential for accurate financial statement analysis and interpretation.

166. (B) ₹30,000
To determine the sales volume required to achieve a desired profit, a company must cover both its total fixed costs and the target profit. This is calculated by dividing the sum of fixed costs and desired profit by the profit-volume ratio. The P/V ratio represents the contribution as a percentage of sales. In this scenario, combining the fixed costs and the desired profit, then dividing by the given ratio, yields the necessary sales volume to meet the target.

167. (D) Identifies an activity and justifies its funding level.
In zero-base budgeting, a decision package is a comprehensive document that describes a specific organizational activity or function in detail. It outlines the objectives of the activity, the resources required, the costs involved, and the expected benefits. It also includes an evaluation of alternative ways to perform the task and the potential consequences if the funding is not provided. These packages are then ranked by management to determine the most effective allocation of limited resources.

NODIA

168. (A) (a), (b) and (c) only
Funds from operations represent the amount of net working capital generated by a company's core business activities. To calculate this, non-fund and non-operating items that were previously deducted to arrive at net profit must be added back. This includes depreciation and losses on the sale of fixed assets, as these do not involve an actual outflow of working capital. Dividends paid are an application of funds and are not part of the calculation for funds generated from operations.

169. (C) The extent to which the company is using debt to finance its assets (financial leverage).
The equity multiplier is a key component of the DuPont analysis that measures financial leverage. It is calculated by dividing total assets by total

shareholders' equity. This ratio indicates how much of the company's asset base is financed by the owners compared to external creditors. A higher equity multiplier means the firm is using more debt to fund its assets, which can magnify the return on equity but also increases the financial risk for the shareholders.

170. (D) Statement I is false, but Statement II is true.
The indifference point is a critical metric in capital structure analysis that focuses on the relationship between operating profit and shareholder returns. It is specifically defined as the level of earnings before interest and taxes at which two different financing plans result in exactly the same earnings per share. It does not directly equate to the market price of shares, which is influenced by many other external factors. This point helps management decide when to use debt versus equity.

171. (D) For a 1% change in sales, EBIT will change by 5%.
The degree of operating leverage quantifies the sensitivity of a firm's operating profit to changes in its sales revenue. It is caused by the presence of fixed operating costs. A degree of operating leverage of 5 indicates that for every 1% change in sales, the earnings before interest and taxes will change by 5%. This magnification effect works in both directions, meaning a small percentage increase in sales will significantly boost profits, but a decrease will similarly impact them.

172. (B) Generally Accepted Accounting Principles (GAAP) and Accounting Standards.
The preparation and presentation of financial statements are strictly governed by established rules known as Generally Accepted Accounting Principles and specific Accounting Standards. These guidelines ensure that financial information is consistent, comparable, and reliable for various stakeholders such as investors, creditors, and regulators. Following these standards prevents management from using subjective methods and provides a fair and transparent view of the company's financial health, performance, and cash flows.

173. (C) Capital Structure Ratios
Analyzing the long-term solvency of a company involves assessing its ability to meet all its obligations, particularly its long-term debt. Analysts focus on capital structure ratios, such as the debt-equity ratio and the interest coverage ratio, to evaluate this. These metrics show the proportion of debt in the firm's capital and its capacity to service that debt. While liquidity ratios focus on short-term needs, capital structure ratios provide a view of the firm's financial stability over time.

174. (D) Depreciation
In financial accounting, a cash flow refers to the actual movement of cash into or out of a business. Transactions like paying suppliers, collecting cash from sales, and paying wages are all examples of cash flows because they involve the physical exchange of money. In contrast, depreciation is a non-cash expense that represents the systematic allocation of the cost of a fixed asset over its useful life. While it reduces net profit, it does not involve any actual cash outflow.

175. (A) Estimation of capital requirements.
The process of financial management begins with the critical step of estimating the company's capital requirements. This involves determining the total amount of funds needed for purchasing fixed assets and maintaining adequate working capital for daily operations. This estimation must be based on the company's long-term goals and short-term operational plans. Once the requirements are clearly identified, the finance manager can then move on to raising the necessary funds from the most appropriate and cost-effective sources.

176. (B) Modigliani-Miller (MM) Hypothesis without taxes
The Modigliani-Miller hypothesis, in its original form, is often criticized for its highly restrictive and unrealistic assumptions. It posits that a firm's capital structure does not affect its value in a world with no taxes, no transaction costs, and no bankruptcy risks. While it provided a foundational theoretical framework for modern finance, analysts argue that in the real world, factors like interest tax shields and the costs of financial distress make financing decisions critical to a company's value.

Click Here to Buy book on Amazon

177. (A) Constantly updated by adding a further accounting period when the earliest period has expired.
A continuous or rolling budget is a dynamic planning tool that ensures a business always has a plan for a fixed future period, typically twelve months. As each month or quarter passes, that period is removed from the budget, and a new period is added at the end. This approach forces management to continuously review and update their forecasts based on current market conditions and internal performance, making the budgeting process an ongoing rather than a once-a-year activity.

178. (A) (EBIT - Interest) (1 - Tax Rate) - Preference Dividend
In EBIT-EPS analysis, the goal is to calculate the earnings available to common shareholders. This is done by starting with the operating profit and deducting interest to find the taxable income. After applying the tax rate, the net income is determined. Finally, any preference dividends must be subtracted because they are a fixed obligation that takes precedence over equity returns. The resulting figure represents the total earnings that can be attributed to the common stockholders for calculating EPS.

179. (C) Standard rate and actual rate, multiplied by the actual hours paid.
The labour rate variance is a part of total labour variance that measures the difference between the standard hourly rate planned and the actual rate paid to employees. It is calculated by taking the difference between these two rates and multiplying it by the total actual hours paid. An unfavourable variance occurs when the actual wage rate is higher than expected, which could be due to overtime, hiring more skilled workers, or unexpected changes in wage laws.

180. (D) Cost of Production
In a standard cost sheet, the cost of production represents the total manufacturing cost of goods after considering administrative support. It is calculated by adding administrative overheads to the works cost. Works cost includes the prime cost and factory-related overheads. The cost of production figure is essential for valuing finished goods inventory and serves as the basis for calculating the final cost of sales after adding selling and distribution expenses. It reflects the total cost to produce items.

181. (C) (a), (b) and (c) only
A finance manager's primary responsibilities revolve around the strategic management of a company's capital. This includes the procurement of funds from various sources and ensuring their efficient utilization in profitable projects. Additionally, the manager must decide on the disbursement of profits to the owners through dividends. While these functions have a profound impact on the entire organization, setting specific production targets is typically the responsibility of the production or operations manager rather than the finance department.

182. (B) Total Cost or Cost of Sales
The total cost, also known as the cost of sales, represents the final accumulation of all costs incurred by a company to make and sell a product. It is calculated by adding selling and distribution overheads to the cost of production. While the cost of production includes manufacturing and administrative expenses, the final step accounts for marketing, advertising, and delivery costs. This total figure is crucial for determining the final selling price and calculating the net profit per unit.

183. (D) The return on investment is greater than the cost of debt.
Financial leverage is beneficial to a company's shareholders only when the firm achieves "favourable trading on equity." This occurs when the return generated from the assets financed by debt is higher than the fixed interest cost paid to the lenders. The surplus earnings created by this spread belong entirely to the equity shareholders, thereby increasing their earnings per share. If the return on investment falls below the cost of debt, leverage will negatively impact shareholder returns.

184. (A) Both A and R are true and R is the correct explanation of A.
Operating leverage is a measure of business risk that arises from the presence of fixed operating costs. A firm with a high proportion of fixed costs compared to variable costs is considered riskier because it must maintain a higher level of sales just to break even. Any fluctuation in sales

NODIA

will lead to a much larger percentage change in operating profit. Therefore, companies with high operating leverage are more sensitive to economic downturns and changes in market demand.

185. (C) Estimate the cash requirements and potential surpluses for a future period.
A cash budget is a vital financial planning tool used to forecast the expected cash inflows and outflows of a business over a specific future period. Its primary purpose is to ensure that the company maintains adequate liquidity to meet its obligations as they fall due. By identifying potential cash shortages in advance, management can arrange for financing. Similarly, if a surplus is predicted, they can plan for its effective investment to generate additional income.

186. (A) Net Profit Margin
The DuPont framework is a method used to analyze the factors that drive a company's return on equity. It breaks down ROE into three interrelated financial ratios. The first of these is the net profit margin, which measures the company's operating efficiency and its ability to control costs relative to sales. The other two components are asset turnover and financial leverage. By focusing on net profit margin, managers can evaluate the profitability of each rupee of sales revenue generated.

187. (A) Both Statement I and Statement II are true.
Standard costing and historical costing are two different approaches to cost measurement. Standard costing is a forward-looking technique where costs are predetermined based on efficient operating conditions, serving as a benchmark for performance evaluation. Historical costing, on the other hand, is a backward-looking method that records costs as they are actually incurred. While historical costs provide a factual record of past transactions, standard costing is more useful for managerial control and identifying areas for efficiency improvements through variance analysis.

188. (B) An application of funds.
In the preparation of a funds flow statement, the payment of income tax represents a significant outflow of the company's resources. Since this payment reduces the net working capital of the firm, it is classified as an application of funds. This distinguishes it from non-fund items like depreciation, which do not involve an actual movement of capital. Accurately reporting tax payments is essential for understanding how the company's internally generated funds are being utilized to meet its legal obligations.

189. (C) P-3, Q-2, R-1, S-4
An organization uses various functional budgets to plan different aspects of its operations. The sales budget estimates the quantity and value of future sales. The cash budget forecasts the expected inflows and outflows of cash to ensure liquidity. The capital expenditure budget outlines planned spending on long-term assets like machinery. The production budget determines the number of units that must be manufactured to meet sales targets. Together, these budgets provide a coordinated framework for achieving the firm's overall financial goals.

190. (D) Purchase of patents
Sources of funds in a funds flow statement are transactions that increase the net working capital or provide long-term capital to the business, such as issuing debentures or taking bank loans. In contrast, the purchase of patents is an acquisition of an intangible fixed asset. This transaction represents a use of the firm's financial resources, thereby making it an application of funds rather than a source. Sources bring capital in, while applications show where that capital was spent.

191. (A) Fixed Production Overheads
The primary distinction between marginal costing and absorption costing lies in how they handle fixed production overheads. In absorption costing, these overheads are treated as product costs and are allocated to the units produced, meaning they are included in inventory valuation. In marginal costing, however, fixed production overheads are treated as period costs and are written off entirely in the period they are incurred. This difference can lead to variations in reported profits when production and sales volumes differ.

192. (B) Earnings Per Share (EPS)
Financial leverage refers to the use of fixed-interest-bearing debt in a company's capital structure. This creates a magnification effect where changes in the company's operating profit

NODIA

lead to more than proportionate changes in the earnings available to common shareholders. Consequently, when the operating profit increases, the earnings per share will grow significantly. However, if the operating profit declines, the negative impact on EPS is equally amplified. This magnification highlights the financial risk associated with using debt to finance operations.

193. (A) Help select the financial plan that maximizes EPS for a given level of EBIT.
EBIT-EPS analysis is a financial planning technique used to evaluate the impact of different capital structures on the returns available to equity shareholders. By comparing the earnings per share at various levels of operating profit under different financing plans, management can identify the most beneficial mix of debt and equity. This analysis is particularly helpful for identifying the indifference point and for choosing a capital structure that aligns with the firm's expected future performance to maximize shareholder wealth.

194. (A) Profit and Loss Statement (Income Statement)
The profit and loss statement, commonly known as the income statement, is a fundamental financial report that summarizes a company's financial performance over a specific period. It lists all revenues earned and subtracts all expenses incurred to arrive at the net income or loss. This statement helps stakeholders understand the company's ability to generate profit from its operations. It provides a dynamic view of business activity, unlike the balance sheet, which shows the financial position at a single point.

195. (B) Capital Asset Pricing Model
Theories of capital structure, such as the net income approach, net operating income approach, and Modigliani-Miller approach, explore how the mix of debt and equity affects a firm's value and cost of capital. In contrast, the capital asset pricing model is a framework used to determine the required rate of return for an asset based on its systematic risk. While related to financial management, it is primarily an asset pricing model rather than a capital structure theory.

196. (D) The actual hours worked were more than the standard hours allowed for the output.
An unfavourable labour efficiency variance occurs in standard costing when the actual time taken to complete a production task exceeds the predetermined standard time allowed for that level of output. This suggests that the workforce was less productive than expected, which could be due to factors such as poor supervision, inadequate training, machine breakdowns, or sub-standard materials. Management analyzes this variance to identify operational bottlenecks and implement measures to improve the efficiency and productivity of the labour force.

197. (C) (a), (b), (c) and (e) only
Financial management is a specialized function that deals with three primary decisions: investment, financing, and dividend decisions. This includes capital budgeting for long-term projects, managing working capital for daily operations, determining dividend policy, and choosing an appropriate capital structure. While product pricing is a critical decision for any business, it is generally considered a marketing or strategic management function, though it is influenced by financial data such as costs and the required profit margins of the firm.

198. (B) An increase in the break-even point.
The break-even point is the sales volume at which total revenue equals total costs. It is calculated by dividing fixed costs by the contribution margin per unit. If the variable cost per unit increases while the selling price remains constant, the contribution margin per unit will decrease. A lower contribution margin means that each unit sold contributes less toward covering fixed costs. Therefore, more units must be sold to reach the break-even level, resulting in an increase in the break-even point.

199. (D) Standard Costing and Variance Analysis
Management by exception is a principle where managers focus their attention only on areas where actual performance significantly deviates from planned targets. This approach is highly facilitated by standard costing and variance analysis. By setting predetermined standards and comparing them with actual results, the system automatically highlights "exceptions"—those areas where performance is much better or

Downloaded from www.pdf.tube

worse than expected. This allows management to use their time and resources more efficiently by investigating only the most critical deviations.

200. (A) Capital structure planning
The concept of the indifference point is a vital tool used in capital structure planning and financial decision-making. It represents the specific level of earnings before interest and taxes at which two different financing options, such as using all equity versus a mix of debt and equity, yield the same earnings per share. By identifying this point, management can determine which capital structure is more advantageous based on the company's expected future operating profits, thereby helping to maximize shareholder wealth.

201. (C) Materiality
Fundamental accounting assumptions are the basic premises on which financial statements are prepared. The most common ones include going concern, consistency, and accrual. These provide a standard framework that ensures financial reports are prepared on a uniform basis. Materiality, while a very important accounting principle, is not typically classified as a "fundamental assumption" in the same way. Instead, it is a reporting threshold that helps determine whether an item is significant enough to require detailed disclosure in the statements.

202. (A) Use of debt and preference share capital.
Financial risk refers to the additional risk placed on a company's equity shareholders as a result of using fixed-income securities like debt and preference shares in the capital structure. Unlike common stock, these sources of finance require mandatory payments of interest or fixed dividends. If the company's operating profits decline, it must still meet these obligations, which increases the likelihood of financial distress. The degree of financial risk is therefore directly linked to the proportion of these fixed-cost funds used.

203. (D) Capital Budget
A capital budget is a long-term financial plan that outlines an organization's proposed investments in fixed assets, such as land, buildings, and new technology. This process involves evaluating the potential costs and benefits of these large-scale expenditures over several years. Unlike operational budgets that focus on short-term activities, a capital budget is strategic in nature and helps ensure that the firm's long-term growth and expansion objectives are met through the effective and efficient allocation of capital resources.

204. (A) Both Statement I and Statement II are true.
DuPont analysis is a framework that explains the relationship between a firm's return on assets and its return on equity. It shows that ROE is influenced by both the company's operational profitability and its use of financial leverage. The formula expresses ROE as the product of ROA and the equity multiplier. This allows analysts to see how effectively a company is using debt to amplify the returns generated from its assets, providing a more comprehensive view of financial performance.

205. (C) 5,000 units
The break-even point in units is the volume of production where the total contribution exactly covers all the fixed costs of the business. To find this, the contribution margin per unit is first calculated by subtracting the variable cost per unit from the selling price. Then, the total fixed costs are divided by this contribution margin. In this specific scenario, dividing the fixed costs by the resulting contribution per unit identifies the minimum number of units the company must sell to avoid a loss.

206. (D) Repayment of a long-term loan
In the context of a funds flow statement, an application of funds is any transaction that results in an outflow of capital or a reduction in the net working capital of the business. The repayment of a long-term loan is a clear example of using funds to settle a liability, which reduces the company's available capital. Other transactions like issuing shares or selling assets bring capital in, making them sources of funds, while a decrease in working capital is also a source.

207. (A) P-3, Q-4, R-2, S-1
Various financial terms are associated with specific analytical concepts in management and accounting. Operating profit is represented by EBIT. Profit available specifically to equity shareholders is measured by EPS. Capital structure analysis often involves calculating the WACC to determine the overall cost of financing.

NODIA

variance of the total material usage variance and is particularly important in industries where several raw materials are combined to produce a single finished product.

146. (A) Direct Materials, Direct Labour, and Direct Expenses.
Prime cost is a fundamental concept in cost accounting that represents the total of all direct costs directly attributable to the manufacturing of a product. It consists of the cost of direct raw materials, the wages paid to direct labour, and any other direct expenses specifically incurred for production. These costs are easily traceable to individual units. In a cost sheet, prime cost forms the basic foundation upon which indirect costs or overheads are subsequently added.

147. (C) ₹30,000
Operating profit, also known as earnings before interest and taxes, measures the profitability of a firm's core business activities. It is calculated by taking total sales revenue and subtracting both the variable costs and the fixed operating costs. For this specific scenario, the contribution is found by subtracting variable costs from sales, and then subtracting fixed costs from that contribution results in the operating profit. This figure reflects the efficiency of the firm's operations before financing and taxes.

148. (D) 3, 4, 2, 1
Budgetary control is a systematic process that follows a logical sequence to ensure organizational efficiency. It begins with establishing standards by preparing detailed budgets for various functions. Next, the actual performance of the firm is measured during the period. These actual results are then compared with the budgeted standards to identify any variances. Finally, management analyzes these differences and takes necessary corrective actions to ensure that future performance aligns with the established goals and plans.

149. (C) EPS is zero
The financial breakeven point is the specific level of operating profit at which the earnings per share for common shareholders are exactly zero. At this point, the firm's earnings before interest and taxes are just sufficient to cover all its fixed financial obligations, such as interest payments on debt and dividends on preference shares. This metric is essential for managers to understand the minimum level of operating performance required to satisfy the company's financial providers before any equity returns.

150. (B) Decision packages
A central feature of zero-base budgeting is the development and evaluation of decision packages. These are detailed documents that describe a specific activity or function, its objectives, costs, and the benefits it provides to the organization. Each package also outlines alternative ways of performing the activity and the consequences of not funding it. Managers rank these packages based on their contribution to organizational goals, allowing for more effective and transparent resource allocation during the budgeting process.

151. (D) It provides a complete and final picture of a company's health.
Ratio analysis is a powerful tool for financial statement interpretation, but it has several limitations. It can simplify complex data, identify operational inefficiencies, and facilitate comparisons between firms. However, it does not provide a complete and final picture of a company's health. Ratios are based on historical data and can be affected by accounting policy changes or window dressing. Therefore, they should be used as a starting point for deeper analysis rather than a definitive conclusion.

152. (A) Both Statement I and Statement II are true.
The weighted average cost of capital represents the overall hurdle rate for a company's investments. It is calculated by determining the individual costs of each source of financing, such as debt and equity, and then weighting them according to their proportion in the firm's total capital structure. These weights are typically based on either the book values or the market values of the different sources. This combined rate reflects the total expected return required by all capital providers.

153. (C) This transaction is not shown in the Funds Flow Statement.
A funds flow statement focuses on transactions that affect the net working capital of a company. When a firm issues debentures directly to purchase a building, it is a transaction between

Click Here to Buy book on Amazon

215. (D) 2, 1, 3
The DuPont analysis provides a structured way to evaluate the drivers of return on equity by multiplying three key ratios. It typically starts with the net profit margin to assess profitability, followed by asset turnover to evaluate efficiency, and finally the equity multiplier to measure financial leverage. This sequence allows analysts to see how a company generates its final return through a combination of cost control, asset utilization, and its choice of financing mix. It offers deep insight into organizational performance.

216. (A) The required rate of return or cut-off rate for capital projects.
The cost of capital serves as the foundational benchmark for a company's investment decisions. It represents the minimum rate of return that a firm must earn on its new projects to satisfy its investors and maintain its current market value. Because it acts as a hurdle that any potential investment must overcome to be considered viable, it is frequently referred to as the required rate of return or the cut-off rate for capital budgeting purposes. It guides efficient resource allocation.

217. (A) Sliding scale budget
A flexible budget is a dynamic financial plan that can be adjusted to reflect different levels of activity or production volume. Because it provides a range of estimated costs and revenues rather than a single fixed amount, it is often referred to as a sliding scale budget. This flexibility makes it an invaluable tool for performance evaluation, as it allows managers to compare actual results against a budget that is tailored to the actual level of operations achieved during the period.

218. (A) EBIT-EPS analysis
EBIT-EPS analysis is a specialized financial planning technique that explores the relationship between a firm's operating profit and the resulting earnings available to its common shareholders. By examining this relationship under various financing scenarios, management can determine how different levels of debt and equity impact the final returns. This analysis is essential for identifying the optimal capital structure and understanding the magnification effects of financial leverage on shareholder wealth under different economic conditions and business performance levels.

219. (D) Statement I is false, but Statement II is true.
While financial accounting focuses on providing information to external stakeholders, cost accounting is primarily concerned with providing detailed data for internal management use. The preparation of a cost sheet is a core activity in cost accounting. It serves as an internal report that helps managers understand the detailed structure of costs, set prices, and make informed decisions about production efficiency and cost control. It is not typically part of the standard financial statements released to the general public.

220. (B) The market price of its share is maximized.
An optimal capital structure is the specific mix of debt and equity that results in the highest possible market value for the company. At this point, the weighted average cost of capital is at its minimum, which maximizes the value of the firm's future cash flows. The primary goal of financial management is to maximize shareholder wealth, and finding this optimal balance is essential for achieving that objective. This structure balances the tax benefits of debt against the potential risks.

221. (C) (a), (b), (c), and (d) only
Cost-volume-profit analysis relies on several key assumptions to simplify the complex relationships between costs and revenue. It assumes that total fixed costs remain constant, while variable costs per unit and the selling price also stay the same across all activity levels. It further assumes that the sales mix remains constant for multi-product firms. It generally does not assume increasing inventory levels; instead, it typically assumes that production equals sales so that inventory changes do not complicate the cost allocations.

NODIA

222. (D) Earnings Before Interest and Tax (EBIT)
Business risk is the inherent variability in a firm's operating income, which is primarily driven by its sales volatility and its cost structure. It reflects the uncertainty regarding the company's ability to generate sufficient earnings before interest and taxes to cover its operating expenses. Factors such as market competition, economic conditions, and operating leverage all contribute to this risk.

substance of transactions rather than just their legal form. Such an approach is essential for presenting a true and fair view of an entity's financial health, performance, and overall market position to stakeholders.

253. (C) Verifiability.
Fundamental accounting assumptions include concepts like going concern, consistency, and accrual, which provide the basic foundation for preparing financial statements. Verifiability, while important, is considered a qualitative characteristic of financial information rather than a fundamental assumption. These assumptions are generally accepted premises that guide how financial transactions are recorded and reported consistently over different accounting periods for any business.

254. (D) They are qualitative characteristics that determine the usefulness of financial information.
Concepts such as relevance and faithful representation are designated as qualitative characteristics of financial information. These attributes ensure that the data provided in financial reports is useful for decision-making by stakeholders. Relevance ensures the information can influence economic decisions, while faithful representation ensures that the reported figures accurately reflect the economic phenomena they purport to show without bias.

255. (C) offer ground rules for consistent and reliable financial reporting.
Generally Accepted Accounting Principles serve as the foundational framework for financial reporting. They provide standardized ground rules that ensure consistency, comparability, and reliability across the financial statements of different entities. By following these established principles, companies can produce reports that allow investors and creditors to make informed comparisons and decisions based on accurate and standardized financial data.

256. (B) Balance Sheet.
The balance sheet serves as a financial snapshot, capturing a company's financial position at a specific moment. It details the entity's assets, liabilities, and shareholders' equity, adhering to the fundamental accounting equation. This statement provides critical insights into the company's liquidity and solvency, allowing stakeholders to evaluate what the business owns and owes at the end of a period.

257. (D) The net income from the P&L statement affects the retained earnings, which is part of the equity on the Balance Sheet.
Financial statements are deeply interconnected through various line items. Specifically, the net income or loss calculated in the Statement of Profit and Loss flows into the Statement of Changes in Equity as part of retained earnings. These retained earnings are then reported under the equity section of the Balance Sheet, illustrating how operational performance directly impacts the company's overall net worth.

258. (A) To provide supplementary information and disclosures for a comprehensive understanding.
The Notes to the Financial Statements offer essential supplementary information that clarifies the figures presented in the main statements. They provide detailed disclosures regarding accounting policies, contingent liabilities, and other explanatory facts. This additional context is necessary for a comprehensive understanding of the entity's financial health, ensuring that stakeholders have all the relevant details to interpret the reported data correctly.

259. (C) Operating, Investing, and Financing.
The Cash Flow Statement organizes all cash inflows and outflows into three specific categories to provide a clear picture of liquidity. Operating activities relate to the primary revenue-generating functions. Investing activities involve the acquisition and disposal of long-term assets. Financing activities cover changes in the size and composition of the contributed equity and borrowings, helping analysts track how cash is utilized.

260. (A) Assets = Liabilities + Equity.
The fundamental accounting equation is the foundation of double-entry bookkeeping and the structure of the balance sheet. It states that the total assets of a business are always equal to the sum of its liabilities and shareholders' equity. This balance ensures that every financial transaction has an equal and opposite effect, maintaining the integrity and accuracy of the financial reporting system.

Downloaded from www.pdf.tube

of management by exception. By comparing actual costs and revenues with predetermined standards, the process identifies significant deviations that require attention. This allows senior management to focus their time and energy on investigating and correcting major problems rather than reviewing routine activities that are proceeding according to plan. It improves managerial efficiency by highlighting only the most critical areas where performance is not meeting expectations.

231. (D) Deciding the proportion of earnings to be distributed and retained.
The dividend decision is a critical aspect of financial management that involves determining the portion of net profits to be distributed to shareholders as dividends and the portion to be retained within the firm. Retention of earnings provides a source of internal financing for future growth. This decision must balance the shareholders' desire for current income with the company's requirement for capital to fund its long-term objectives and various investment opportunities in a sustainable manner.

232. (A) The effect of actual production volume being different from the budgeted volume.
In standard costing, the volume variance for overheads measures the impact of producing a different quantity of goods than what was originally planned in the budget. Since fixed overheads are typically allocated based on a budgeted volume, any deviation in actual production results in these costs being over- or under-absorbed. This variance helps management understand how changes in production levels affect the average cost per unit and the overall efficiency of resource utilization within the manufacturing facility during the period.

233. (C) (a), (b) and (c) only
Budgetary control is a comprehensive management system that uses budgets to plan and control organizational activities. Its primary goals are to plan income and expenditure, coordinate the activities of various departments to ensure they work toward common objectives, and fix responsibility on individual managers for their performance. While it streamlines operations, it does not eliminate the need for management; instead, it provides managers with a powerful tool to monitor progress, analyze variances, and take effective corrective actions to achieve targets.

234. (A) Net Profit Margin and Asset Turnover.
In the DuPont analysis framework, return on assets is a key metric that measures how effectively a company generates profit from its total resource base. It is calculated as the product of the net profit margin and the asset turnover ratio. The profit margin reflects the firm's ability to control costs and generate profit from each rupee of sales, while asset turnover measures how efficiently those sales are generated from the assets. Together, they reveal the firm's overall operating efficiency.

235. (D) The tax implications.
When calculating the cost of capital from a specific source, such as debt or equity, it is essential to consider the impact of taxes. This is particularly true for debt, as interest payments are typically tax-deductible expenses in many jurisdictions. This tax-deductibility significantly reduces the effective cost of debt to the company. Therefore, the "after-tax" cost of capital is the relevant figure used by financial managers when determining the firm's weighted average cost of capital and evaluating projects.

NODIA

236. (B) Operating, Investing, and Financing.
A cash flow statement provides a detailed summary of a company's cash movements by classifying them into three distinct categories. Operating activities involve the primary revenue-generating functions of the business. Investing activities include the purchase and sale of long-term assets and other investments. Financing activities involve transactions related to raising capital, such as issuing shares or repaying loans. This classification helps stakeholders understand the specific sources and uses of cash, providing insight into the company's overall liquidity and solvency.

237. (A) Both Statement I and Statement II are true.
Operating leverage is a result of having fixed operating costs in a company's cost structure. These costs do not change with the volume of sales, which creates a magnification effect on operating profit. If a firm were to have only variable costs, its operating profit would change

in direct proportion to its sales revenue. In such a scenario, the degree of operating leverage would be exactly one, indicating that there is no leverage effect and the firm's operating risk is minimal.

238. (D) Break-even point
On a break-even chart, the intersection of the total revenue line and the total cost line marks the break-even point. This is the specific sales volume where the firm covers all its expenses but earns zero profit. The area between these lines below the intersection represents a loss, while the area above it represents profit. This visual tool is essential for managers to understand the relationship between cost, volume, and profit, and to identify the safety margin available to the business.

239. (A) Plan X
The indifference point identifies the level of operating profit where two different financing plans yield the same earnings per share. In this scenario, the expected operating profit is higher than the indifference point. When this occurs, the plan with a higher degree of financial leverage—in this case, Plan X with more debt—becomes more attractive. This is because the higher earnings from the assets exceed the fixed interest cost, resulting in a higher EPS for the common equity shareholders.

240. (B) Issue of new shares or debentures
Flotation costs are the total expenses a company incurs when it issues new securities to the public to raise capital. These costs typically include underwriting fees, legal expenses, registration fees, and advertising costs. They effectively reduce the net proceeds the company receives from the issue, thereby increasing the effective cost of capital for that specific source. Internal sources like retained earnings or short-term credit like bank overdrafts do not usually involve these significant external issuance expenses during their normal use.

241. (B) All of the above
A standard cost sheet is a comprehensive document that follows a logical flow to capture all elements of product cost and profitability. It begins with the prime cost and works cost, then adds administrative expenses to find the cost of production. After adding selling and distribution costs, the total cost of sales is determined. Finally, by comparing this total cost with the sales revenue, the net profit for the period is calculated. Each component provides vital information for cost control and pricing decisions.

242. (A) All material and relevant information must be disclosed in the financial statements.
The full disclosure principle is a fundamental accounting guideline that requires companies to include all information in their financial statements that is necessary for a user to understand the entity's financial position. This includes not only the numerical data in the primary statements but also significant details in the accompanying notes. The goal is to ensure transparency and provide stakeholders with a fair and complete view of the company's economic activities, risks, and performance for informed decision-making.

243. (C) That a small decline in sales can lead to a large decline in operating profit (EBIT).
The primary risk associated with a high degree of operating leverage is the increased sensitivity of operating profit to fluctuations in sales. When a company has large fixed operating costs, it must achieve a minimum level of sales to cover them. If sales fall even slightly, the firm's operating profit will decrease by a much larger percentage because the fixed costs remain unchanged. This magnification effect increases business risk, making the company more vulnerable during economic downturns or periods of low demand.

244. (D) Peter F. Pyhrr
Zero-base budgeting is a sophisticated budgeting technique that was first developed and popularized by Peter F. Pyhrr while he was working at Texas Instruments in the late 1960s. Unlike traditional budgeting methods that were incremental in nature, Pyhrr's approach required every manager to justify their entire budget request from scratch for each new period. This revolutionary method aimed to eliminate wasteful spending and ensure that all organizational resources were allocated to the most productive and strategically important activities.

245. (C) Financing decision
The financing decision is a core function of financial management that involves determining

Click Here to Buy book on Amazon

the best way to raise the capital needed for a firm's operations and investments. A key part of this decision is choosing the appropriate mix of debt and equity, which defines the company's capital structure. Managers must balance the benefits of debt, such as the tax shield, against the increased financial risk. This decision ultimately aims to minimize the weighted average cost of capital and maximize the firm's value.

246. (B) No operating leverage and no financial leverage.
Combined leverage is the product of the degree of operating leverage and the degree of financial leverage. If a company's combined leverage is exactly one, it means that neither of its component leverages is greater than one. Since the minimum possible degree for both operating and financial leverage in a functional business is one, this result implies the company has no fixed operating costs and no fixed financial charges. In this situation, changes in sales result in exactly proportional changes in earnings per share.

247. (D) The concept of 'funds'.
The fundamental distinction between a funds flow statement and a cash flow statement lies in how they define "funds." A funds flow statement uses a broad concept, focusing on changes in net working capital, which is the difference between current assets and current liabilities. In contrast, a cash flow statement uses a narrower and more liquid definition, tracking only the movement of cash and cash equivalents. This difference determines which transactions are included and how the company's liquidity is assessed.

248. (A) Maintain the market value of its stock.
The cost of capital is the minimum rate of return that a company must earn on its investments to satisfy the expectations of its investors. By achieving at least this rate, the firm ensures that the returns are sufficient to compensate providers of both debt and equity. This, in turn, helps maintain the market value of the company's stock. If the firm earns less than its cost of capital, the market value will likely decline as investors seek better returns elsewhere in the market.

249. (C) The benefit-cost analysis or its contribution to organizational objectives.
In zero-base budgeting, managers must rank their proposed decision packages to help the organization allocate its limited resources effectively. This ranking is typically based on a rigorous evaluation of each package's contribution to the overall strategic goals and objectives of the firm. Techniques such as benefit-cost analysis are often used to determine which activities provide the most value for their cost. This objective ranking ensures that the most critical and beneficial projects are funded first, improving organizational efficiency and performance.

250. (A) Combined Leverage = Operating Leverage x Financial Leverage
Combined leverage represents the total risk of a firm by measuring the sensitivity of earnings per share to changes in sales. It is mathematically derived by multiplying the degree of operating leverage by the degree of financial leverage. Operating leverage focuses on fixed operating costs, while financial leverage addresses fixed financial charges. By combining these two effects, the firm can understand the magnified impact that sales fluctuations have on shareholder returns. High combined leverage indicates that a small change in sales will significantly impact the bottom line.

251. (B) To enhance the comparability and accessibility of financial statements across international borders.
Converging national standards with international ones aims to create a unified financial reporting language globally. This process facilitates international trade and investment by making financial reports more transparent and comparable for global stakeholders. It reduces complexity for international investors, allowing for better capital allocation across diverse markets while ensuring consistency in how financial data is presented and interpreted.

252. (A) The reflection of the substance of transactions for a true and fair view.
The application of accounting standards is not a mechanical process but requires professional judgment to ensure financial integrity. This judgment helps accountants reflect the economic

Downloaded from www.pdf.tube

It is distinct from financial risk, which arises specifically from the firm's choice of financing and its use of fixed-cost debt.

223. (A) It assumes that the risk perception of investors does not change with increased leverage.
The net income approach to capital structure is often criticized for its simplifying assumption that the cost of equity remains constant even as the firm increases its debt. In reality, as a company takes on more leverage, the financial risk to the equity shareholders increases. This usually leads them to demand a higher rate of return to compensate for that risk. By ignoring this change in risk perception, the net income approach may overestimate the benefits of using cheap debt.

224. (B) Has no debt or fixed financial charges.
The degree of financial leverage is calculated as the ratio of earnings before interest and taxes to earnings before tax. If a company has no debt and no preference shares, it has no fixed financial charges like interest or fixed dividends. In this case, the operating profit and the taxable income will be identical, resulting in a leverage ratio of exactly one. This indicates that the firm has no financial leverage and no added financial risk for its shareholders.

225. (B) Debt-Service Coverage Ratio
When a long-term lender evaluates a loan application, their primary concern is the borrower's ability to meet all its future debt obligations, including both principal and interest payments. The debt-service coverage ratio is a critical solvency metric for this purpose, as it compares the firm's operating income to its total debt-related payments. A high ratio provides assurance to the lender that the firm generates sufficient cash flow to satisfy its creditors reliably over the life of the long-term loan.

226. (A) P-4, Q-3, R-2, S-1
Accounting concepts provide the foundational rules for recording and reporting financial data. The business entity concept treats the firm and its owner as separate. The going concern assumption posits that the business will continue indefinitely. The money measurement concept ensures that only transactions with monetary value are recorded. The accounting period concept divides the company's life into regular intervals for reporting. Together, these principles ensure that financial statements are prepared in a consistent, meaningful, and transparent manner for all stakeholders.

227. (C) It represents funds being tied up in net current assets.
In a funds flow statement, an increase in net working capital is classified as an application of funds. This is because when a company increases its current assets relative to its current liabilities, it is effectively committing its financial resources to support daily operations. This could involve buying more inventory or extending more credit to customers. Because these funds are now "tied up" in the operating cycle and are not available for other purposes, they are viewed as a use of capital.

228. (D) Marginal Costing
The contribution margin approach is the cornerstone of marginal costing. This technique focuses on the relationship between sales, variable costs, and fixed costs. By calculating the contribution—the excess of sales over variable costs—management can determine how much each unit sold contributes toward covering fixed expenses and generating profit. This approach is essential for short-term decision-making, break-even analysis, and understanding the impact of volume changes on the firm's overall financial performance. It provides clarity in complex cost structures.

NODIA

229. (C) EBIT equals the total interest payment.
For a company that does not have preference shares, the financial breakeven point is reached when its earnings before interest and taxes are exactly equal to its total interest obligations. At this specific level of operating profit, the taxable income becomes zero, and consequently, the earnings available to common shareholders are also zero. This metric helps managers understand the minimum operating performance required to satisfy the firm's lenders and avoid a loss for the equity shareholders during the period.

230. (A) Both A and R are true and R is the correct explanation of A.
Variance analysis is a key component of standard costing that helps in the practical application

261. (D) Liquidity ratios.
Liquidity ratios are specifically designed to evaluate a company's ability to meet its immediate and short-term financial obligations. Ratios such as the current ratio or quick ratio compare current assets with current liabilities to determine if the firm has enough liquid resources. Assessing liquidity is crucial for ensuring that a business can maintain its daily operations without facing financial distress or insolvency.

262. (B) It deconstructs Return on Equity to identify the drivers of performance.
DuPont analysis is a sophisticated tool that breaks down the Return on Equity into several component parts. By deconstructing this single figure into profit margin, asset turnover, and financial leverage, it allows analysts to pinpoint the exact drivers of a company's financial performance. This granular view helps management and investors understand whether a high ROE is due to profitability, efficiency, or debt.

263. (B) Profit margin, total asset turnover, and financial leverage.
DuPont analysis evaluates Return on Equity by analyzing three distinct financial metrics. The profit margin measures operational efficiency, the total asset turnover measures how effectively assets generate revenue, and financial leverage measures the use of debt. Multiplying these three components provides a comprehensive view of how different aspects of the business contribute to the overall return generated for the company's equity shareholders.

264. (D) Trend analysis.
Comparing financial ratios or data over several consecutive years is known as trend analysis. This technique helps analysts identify patterns, growth rates, and shifts in a company's financial performance over time. By observing these trends, stakeholders can determine if a company's health is improving, stabilizing, or declining, providing a historical context that is more informative than analyzing a single year's data.

265. (A) To evaluate the company's ability to cover its long-term financial obligations.
Solvency ratios focus on a company's long-term financial stability and its capacity to meet long-term debt obligations. Unlike liquidity ratios that look at the short term, solvency ratios assess the firm's capital structure and total debt relative to assets or equity. This analysis is vital for creditors and long-term investors to determine the risk of default over an extended period.

266. (B) The changes in a company's net working capital.
The Funds Flow Statement is designed to highlight changes in a company's net working capital between two balance sheet dates. It analyzes the sources and applications of funds, providing a broad view of how the company's financial position has shifted. By focusing on working capital, which is current assets minus current liabilities, it offers insights into long-term financial planning and strategy.

267. (B) The Cash Flow Statement categorizes movements into operating, investing, and financing activities, whereas the Funds Flow Statement focuses on sources and applications of funds.
A primary distinction between these two statements lies in their classification of financial movements. The Cash Flow Statement focuses strictly on cash and cash equivalents, categorizing them into operating, investing, and financing activities. In contrast, the Funds Flow Statement takes a broader approach by analyzing changes in working capital and detailing the various sources and applications of funds across the entire business.

268. (A) Its immediate liquidity and ability to pay bills.
The Cash Flow Statement is an essential tool for evaluating a firm's immediate liquidity. Because it records the actual movement of cash and cash equivalents, it provides a precise picture of whether a company can cover its current bills, pay dividends, and fund new investments. This real-time visibility into cash availability is critical for managing the day-to-day financial health of the organization.

269. (C) Current assets minus current liabilities.
Net working capital is a fundamental measure of a company's operational liquidity. It is calculated by subtracting total current liabilities from total current assets. A positive net working capital indicates that a firm has sufficient resources to

Click Here to Buy book on Amazon

cover its short-term debts and fund its ongoing operations. This metric is the central focus of Funds Flow Analysis, used to track changes in financial position.

270. (D) Statement of Changes in Financial Position.
The Funds Flow Statement is frequently referred to as the Statement of Changes in Financial Position. This alternative name highlights its primary function: tracking the movement of financial resources into and out of the business over a specific period. It summarizes where the money came from and how it was used, emphasizing the overall structural changes in the company's working capital and long-term assets.

271. (C) Factory Cost or Works Cost.
In the preparation of a cost sheet, factory overheads are added to the Prime Cost to determine the Factory Cost, also known as the Works Cost. The Prime Cost itself consists of direct materials, direct labor, and direct expenses. This calculation represents the total cost incurred within the manufacturing facility before administrative and selling expenses are added to reach the final product cost.

272. (B) They are treated as period costs and charged against contribution.
Marginal costing principles differentiate between fixed and variable costs for decision-making purposes. Fixed costs are treated as period costs, meaning they are not assigned to individual units of production. Instead, they are charged in total against the total contribution earned during that specific period. This approach assumes that fixed costs remain constant regardless of the volume of production or sales levels.

273. (D) The aggregate of direct material, direct labor, and direct expenses.
Prime Cost represents the most direct expenses associated with manufacturing a product. It is calculated by summing up the costs of direct materials, direct labor, and any other direct expenses specifically traceable to the production process. Understanding the Prime Cost is the first step in cost sheet preparation, providing a baseline before indirect factory, administrative, and selling overheads are incorporated.

274. (A) Sales revenue minus total variable costs.
In marginal costing, contribution is a vital metric calculated by subtracting total variable costs from sales revenue. This figure represents the amount available to cover the fixed costs of the business. Once fixed costs are fully covered, any remaining contribution translates directly into profit. This calculation is essential for break-even analysis and for making decisions about pricing, product mix, and production volume.

275. (C) ascertain cost components for control and pricing decisions.
A detailed cost sheet is prepared primarily to break down and analyze the various components of production costs. By systematically detailing expenses like prime costs and overheads, management can identify areas for cost control and efficiency improvements. Furthermore, knowing the total cost per unit allows for more informed and accurate pricing decisions, ensuring that products are sold at a sustainable profit.

276. (A) The point where total revenues equal total costs.
The break-even point is a fundamental concept in Cost-Volume-Profit analysis. It represents the specific level of sales volume where a company's total revenue exactly equals its total costs, including both fixed and variable expenses. At this point, the business neither earns a profit nor incurs a loss. Determining this point is crucial for business planning and assessing the risk of new ventures.

277. (D) actual sales and break-even sales.
The margin of safety is a metric that measures the cushion a company has before it begins to incur a loss. It is defined as the difference between actual or budgeted sales and the break-even sales level. A higher margin of safety indicates a lower risk of financial loss if sales decline, providing management with a clear understanding of the business's operational stability.

278. (B) The rate at which profit changes with a change in sales volume.
The Profit-Volume (P/V) ratio expresses the relationship between contribution and sales. It measures the rate at which profit increases or decreases in response to changes in sales volume.

NODIA

A higher P/V ratio suggests that a company is more sensitive to volume changes, meaning a small increase in sales can lead to a significant boost in profit once fixed costs are covered.

279. (C) segregating costs into fixed and variable components.
Cost-Volume-Profit analysis is built on the essential principle of segregating all costs into fixed and variable components. Fixed costs remain constant regardless of activity levels, while variable costs change in direct proportion to volume. This distinction is necessary to calculate metrics like contribution and the break-even point, allowing managers to predict how changes in volume will affect the company's bottom line.

280. (D) evaluate pricing strategies and product line decisions.
CVP analysis is an indispensable tool for short-term managerial decision-making. It allows managers to evaluate different pricing strategies by simulating how price changes affect volume and profit. Additionally, it helps in making decisions regarding product lines, such as determining which products are the most profitable or deciding whether to drop a product that is not contributing enough to cover fixed costs.

281. (A) To establish a benchmark for measuring actual performance.
In a standard costing system, standard costs are predetermined estimates of what costs should be under efficient operating conditions. The primary purpose of setting these standards is to create a reliable benchmark against which actual costs and performance can be measured. This comparison allows management to identify inefficiencies, track performance trends, and establish accountability within various departments of the organization.

282. (B) Standard costs and actual costs.
Variance analysis is the systematic process of comparing standard costs with actual costs incurred during a production period. By identifying the differences between these two figures, management can pinpoint where the organization is deviating from its planned performance. This analysis covers all cost elements, including materials, labor, and overheads, providing a comprehensive view of operational efficiency and potential areas for improvement.

283. (B) actual cost exceeds the standard cost.
A variance is classified as unfavorable when the actual cost incurred for a specific activity or resource exceeds the predetermined standard cost. This signifies that the organization spent more than planned, indicating potential inefficiencies, price increases, or waste. Identifying unfavorable variances is critical for management because it highlights specific areas where corrective actions or closer monitoring are required to maintain budget control.

284. (A) using more or fewer labor hours than the standard for the actual output.
Labor efficiency variance measures the difference between the actual hours worked and the standard hours that should have been used for the actual output produced. If workers take more time than the standard allows, the variance is unfavorable, whereas taking less time results in a favorable variance. This metric helps management assess the productivity and skill levels of the workforce during production.

285. (C) Management by Exception.
Variance analysis directly facilitates the principle of Management by Exception. This management style allows leaders to focus their attention and resources only on significant deviations from the plan, rather than monitoring every single routine operation. By highlighting favorable and unfavorable variances, the system alerts managers to the most critical issues that require investigation, corrective action, or strategic adjustment to meet objectives.

286. (D) Production decision.
Financial management primarily involves three core areas of decision-making: investment, financing, and dividend decisions. Investment decisions involve capital budgeting for long-term assets. Financing decisions focus on the capital structure and funding mix. Dividend decisions determine how profits are distributed to shareholders. While production decisions are critical to a business, they fall under operations management rather than the core financial management functions.

Downloaded from www.pdf.tube

287. (C) determining the optimal mix of debt and equity.
The financing decision is a central pillar of financial management concerned with determining the most appropriate capital structure for a firm. This involves choosing the optimal mix of debt and equity to fund the company's operations and investments. This decision is crucial because it directly influences the firm's cost of capital, its financial risk profile, and its overall valuation in the market.

288. (B) The value of a firm can be increased by using more debt.
The Net Income approach to capital structure suggests that the way a firm is financed directly affects its total value. Its central proposition is that a firm can increase its overall value and decrease its weighted average cost of capital by using more debt. This theory assumes that debt is cheaper than equity, and increasing financial leverage will lead to a higher market valuation.

289. (D) capital budgeting.
Capital budgeting, also known as the investment decision, is the process of planning and managing a firm's long-term investments in assets. This involves evaluating potential projects, such as purchasing new equipment or building facilities, that are expected to generate returns over several years. Effective capital budgeting is vital for ensuring that resources are allocated to the most profitable and strategic long-term opportunities.

290. (A) The minimum rate of return a firm must earn on its investments.
The cost of capital represents the minimum rate of return that a company must earn on its investment projects to satisfy its investors and maintain its market value. It serves as a benchmark or hurdle rate for evaluating new investments. If a project's expected return is lower than the cost of capital, it will decrease shareholder wealth and should generally be avoided.

291. (C) It requires every budget request to be justified from scratch for each new period.
Zero-Base Budgeting is a rigorous budgeting approach where every department must justify all its expenses for each new period from a "zero base." Unlike traditional budgeting, which relies on incremental changes to previous budgets, ZBB starts from scratch without considering past allocations. This process forces a comprehensive re-evaluation of all programs and expenditures, ensuring that resources are allocated based on current needs.

292. (A) Budgetary Control.
Budgetary control is a management system that involves the formal establishment of budgets and the continuous comparison of actual results against those budgeted figures. This process allows managers to identify variances and take corrective actions to ensure organizational goals are met. It serves as both a planning tool and a control mechanism, promoting accountability and efficient resource utilization throughout the entire accounting period.

293. (D) a consolidation of various functional budgets providing an overall summary.
A Master Budget acts as a comprehensive financial roadmap for an entire organization. It is created by consolidating various functional budgets, such as those for sales, production, marketing, and administration, into a single, unified document. This master plan provides a complete summary of the company's planned activities, projected financial statements, and overall strategic goals for the upcoming budget period.

294. (B) Traditional budgeting relies on incremental adjustments, while ZBB starts from a zero base.
A key difference between traditional and zero-base budgeting lies in their starting points. Traditional budgeting typically uses the previous year's budget as a baseline and applies incremental adjustments based on expected changes. In contrast, Zero-Base Budgeting ignores previous spending and requires every expense to be justified from a zero base, encouraging a more critical review of all organizational activities and costs.

295. (C) the promotion of more efficient resource allocation by reviewing all expenses.
Implementing Zero-Base Budgeting promotes more efficient resource allocation within an organization. By requiring managers to justify every expense from scratch, the process identifies and eliminates redundant or inefficient programs that might have been automatically renewed

NODIA

under traditional budgeting. This comprehensive review ensures that funds are directed toward the most productive activities, ultimately improving the overall financial health and operational efficiency of the business.

296. (D) The impact of changes in sales on Earnings Before Interest and Taxes (EBIT).
Operating leverage measures the sensitivity of a company's Earnings Before Interest and Taxes to changes in sales volume. It arises from the presence of fixed operating costs in the business model. When operating leverage is high, a small percentage change in sales results in a much larger percentage change in EBIT, highlighting the impact of fixed costs on the firm's profitability.

297. (A) It is the EBIT level where two different financing plans yield the same EPS.
In EBIT-EPS analysis, the indifference level refers to a specific level of Earnings Before Interest and Taxes at which two different capital structure plans result in the same Earnings Per Share. This point is significant because it helps managers decide which financing plan is superior based on expected performance. Above this level, the more leveraged plan is typically more beneficial for shareholders.

298. (B) Fixed-cost sources of finance such as debt.
Financial leverage arises when a company uses fixed-cost sources of financing, such as debt or preference shares, in its capital structure. Because the interest or dividend payments on these funds are fixed, any increase in the firm's operating income will lead to a disproportionately larger increase in the earnings available to common shareholders. This magnification effect is the essence of financial leverage.

299. (B) The level of EBIT where the firm can just cover its fixed financing costs.
The financial breakeven point is the level of Earnings Before Interest and Taxes required for a company to exactly cover its fixed financing obligations, such as interest and preference dividends. At this specific level of EBIT, the Earnings Per Share for the common shareholders will be zero. It serves as a critical measure of the financial risk associated with a company's capital structure.

300. (A) Sales; EPS.
Combined leverage measures the total risk of a firm by showing the impact of a change in sales on Earnings Per Share. It is the product of operating leverage and financial leverage. By linking sales directly to EPS, combined leverage provides a comprehensive view of how fluctuations in market demand and the company's financing choices together influence the returns generated for the owners.

www.nodia.in

Click Here to Buy book on Amazon

18. In risk analysis for capital budgeting, the method that involves changing one variable at a time to see its impact on the project's NPV is called:
(A) Sensitivity Analysis
(B) Scenario Analysis
(C) Monte Carlo Simulation
(D) Certainty Equivalent Approach

19. A 'leveraged buyout' (LBO) is characterized by:
(A) The acquisition of another company using a large amount of equity.
(B) A merger between two firms of equal size and market share.
(C) The acquisition of another company using a large amount of debt.
(D) The sale of a company's subsidiary to its existing management.

20. Match the Derivative Instrument (List I) with its Characteristic (List II):
List I
P. Forward Contract
Q. Futures Contract
R. European Option
S. American Option
List II
1. Standardized and traded on an exchange
2. Can be exercised any time up to expiry
3. A customized agreement between two parties
4. Can be exercised only at expiry
(A) P-1, Q-3, R-2, S-4
(B) P-3, Q-1, R-4, S-2
(C) P-3, Q-1, R-2, S-4
(D) P-1, Q-3, R-4, S-2

21. According to the Modigliani-Miller hypothesis, in a world with no taxes or transaction costs, dividend policy is:
(A) Relevant to the value of the firm.
(B) The most important determinant of firm value.
(C) Irrelevant to the value of the firm.
(D) Relevant only for high-growth firms.

22. A firm that pays out 100% of its earnings as dividends is a key assumption for which of the following dividend models in a specific scenario?
(A) Walter's Model for a firm where $r = k$
(B) Gordon's Model where $b = 0$
(C) Modigliani-Miller Hypothesis
(D) Linter's Model of dividend behavior

23. Which of the following is NOT a determinant of working capital needs?
(A) Nature of business
(B) Scale of operations
(C) Operating cycle length
(D) Historical cost of fixed assets

24. A stock's beta is 1.2, the risk-free rate is 4%, and the expected market return is 11%. According to the CAPM, what is the expected return on this stock?
(A) 12.4%
(B) 13.2%
(C) 8.4%
(D) 15.2%

25. Assertion (A): The Arbitrage Pricing Theory (APT) is considered more robust than the CAPM.
Reason (R): APT allows for multiple factors to explain security returns, whereas CAPM relies on a single market factor.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

26. An agreement that gives the holder the right, but not the obligation, to buy a specified asset at a specified price on or before a specified date is a:
(A) Call Option
(B) Put Option
(C) Forward Contract
(D) Futures Contract

27. The payoff for a buyer of a put option is calculated as:
(A) Max (0, Spot Price - Strike Price)
(B) Spot Price - Forward Price
(C) Strike Price - Spot Price
(D) Max (0, Strike Price - Spot Price)

28. Based on the statements given below, choose the correct option.
Statement I: A futures contract is a standardized forward contract traded on an exchange.

NODIA

(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

9. If an increase in the general level of interest rates causes the price of all financial assets to decline, this is an example of:
(A) Unsystematic risk
(B) Business risk
(C) Systematic risk
(D) Financial risk

10. Which of the following is NOT a form of corporate restructuring?
(A) Product diversification
(B) Merger
(C) Spin-off
(D) Leveraged buyout

11. Consider the following statements about Capital Budgeting:
(i) Relates to evaluation of long-term investment proposals.
(ii) Decisions are typically irreversible in nature.
(iii) Involves committing large funds.
(iv) Primary goal is to maximize short-term profits.
(A) (i) and (iv) only
(B) (i), (ii) and (iii) only
(C) (ii), (iii) and (iv) only
(D) (i), (ii), (iii) and (iv)

12. The evaluation method that measures the time it takes for a project's cumulative cash inflows to equal its initial investment is known as:
(A) Net Present Value (NPV)
(B) Payback Period
(C) Internal Rate of Return (IRR)
(D) Accounting Rate of Return (ARR)

13. A firm is evaluating two mutually exclusive projects. Project A has a higher NPV, while Project B has a higher IRR. Assuming the projects are of different scales and the firm's goal is to maximize shareholder wealth, which project should be chosen?
(A) Project B, because IRR is a superior measure of profitability.
(B) Either project can be chosen as both are profitable options.
(C) Project A, because NPV directly measures addition to firm value.
(D) The project with the shorter payback period for the investment.

NODIA

14. Identify the correct statements regarding the nature of investment decisions in capital budgeting.
(i) They affect the firm's growth in the long run.
(ii) They are easily reversible without significant loss.
(iii) They involve a small commitment of funds.
(iv) They are crucial for determining the financial risk profile of the firm.
(v) They are based on expected future cash flows and profitability.
(A) (i), (iv), and (v)
(B) (ii), (iii), and (iv)
(C) (i), (iii), and (v)
(D) (ii), (iv), and (v)

15. What is the primary cause of conflict between NPV and IRR results for mutually exclusive projects?
(A) All of the above.
(B) Differences in the initial investment amount.
(C) Differences in the timing of cash flows.
(D) Differences in the projects' total lifespan.

16. Which of the following correctly identifies an incorrect pair?
(A) CAPM - Systematic Risk
(B) Modigliani-Miller - Irrelevance of Structure
(C) Arbitrage Pricing Theory - Multiple Factors
(D) Walter's Dividend Model - Relevance of Dividend

17. Arrange the following steps in the process of a typical merger negotiation in a logical sequence:
(i) Identification of a target company
(ii) Due diligence
(iii) Post-merger integration
(iv) Valuation and offer price determination
(v) Final agreement and approval
(A) (i), (ii), (iv), (v), (iii)
(B) (i), (iv), (ii), (v), (iii)
(C) (iv), (i), (ii), (v), (iii)
(D) (i), (ii), (v), (iv), (iii)

(C) 50%
(D) Between 0% and 100%

39. The management of cash, inventory, and receivables are all components of:
(A) Capital budgeting
(B) Portfolio management
(C) International financial management
(D) Working capital management

40. An Indian company exports goods worth $100,000 to the USA. To hedge against the risk of the dollar depreciating against the rupee, the company should:
(A) Enter into a forward contract to sell dollars.
(B) Buy a dollar call option contract.
(C) Sell a dollar put option contract.
(D) Enter into a forward contract to buy dollars.

41. Which of the following is NOT a motive for holding cash as identified by Keynes?
(A) Transaction motive
(B) Precautionary motive
(C) Diversification motive
(D) Speculative motive

42. What is the key assumption that differentiates the Arbitrage Pricing Theory (APT) from the Capital Asset Pricing Model (CAPM)?
(A) APT allows for multiple factors, while CAPM uses one.
(B) APT assumes investors are rational, while CAPM does not.
(C) APT is equilibrium based, while CAPM is arbitrage based.
(D) APT assumes markets are inefficient, while CAPM does not.

43. The price specified in an option contract at which the underlying asset can be bought or sold is called the:
(A) Spot price
(B) Market price
(C) Forward price
(D) Strike price or Exercise price

44. A takeover attempt that is resisted by the target firm's management is known as a:
(A) Friendly takeover
(B) Hostile takeover
(C) Leveraged buyout
(D) Management buyout

45. Match the Working Capital Concept (List I) with its Description (List II):
List I
P. Factoring with recourse
Q. Baumol Model
R. ABC Analysis
S. Credit Period
List II
1. An inventory control technique
2. A component of credit policy
3. A model for optimal cash balance
4. Seller is liable for bad debts
(A) P-4, Q-3, R-1, S-2
(B) P-3, Q-4, R-2, S-1
(C) P-4, Q-1, R-3, S-2
(D) P-2, Q-3, R-1, S-4

46. Which of the following statements about Net Present Value (NPV) is correct?
(A) A project with a positive NPV should always be rejected.
(B) NPV is the difference between outflows and inflows.
(C) NPV fails to consider the time value of money.
(D) Zero NPV means the return equals the discount rate.

47. In the context of M&A, the process of thoroughly investigating a target company's business, assets, capabilities, and financial performance is called:
(A) Due diligence
(B) Merger negotiation
(C) Corporate restructuring
(D) Value creation

48. A company's stock has a beta of 1.0. This indicates that:
(A) The stock is entirely risk-free.
(B) The stock has the same systematic risk as the market.
(C) Return is independent of market return.
(D) The stock is more volatile than the market.

49. What does the term 'Option Payoff' refer to?
(A) The premium paid to buy the option.
(B) The value of the option at its expiration.
(C) The net profit or loss from the position.
(D) The price of the asset at expiration.

Downloaded from www.pdf.tube

Statement II: The primary risk in a forward contract is the counterparty or default risk.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

29. The process of selling a firm's accounts receivable to a financial institution is known as:
(A) Pledging
(B) Discounting
(C) Factoring
(D) Securitization

30. Which of the following is the most appropriate objective of working capital management?
(A) To maximize sales and profitability.
(B) To minimize investment in current assets.
(C) To ensure current assets exceed liabilities.
(D) To maintain an optimal balance between liquidity and profitability.

31. Identify the correct statements regarding Walter's Dividend Model.
(i) It assumes that the firm is financed entirely by equity.
(ii) It postulates that the firm has an infinite life.
(iii) It assumes that the rate of return (r) and cost of capital (k) are constant.
(iv) It suggests dividend policy is always irrelevant.
(A) (i) and (iv) only
(B) (ii) and (iii) only
(C) (i), (ii) and (iii) only
(D) (i), (ii), (iii) and (iv)

32. The market for immediate delivery of a foreign currency is known as the:
(A) Forward market
(B) Spot market
(C) Futures market
(D) Options market

33. What is the primary difference between systematic and unsystematic risk?
(A) Systematic risk is controllable, while unsystematic is not.
(B) Both (C) and (D) are correct statements.
(C) Systematic risk is market-wide, while unsystematic is firm-specific.
(D) Unsystematic risk is diversifiable, while systematic risk is not.

NODIA

34. A firm is considering a project with an initial outlay of ₹1,00,000. It is expected to generate a constant annual cash inflow of ₹25,000 for 5 years. What is the payback period for this project?
(A) 4 years
(B) 3 years
(C) 5 years
(D) 2.5 years

35. The 'Risk-Adjusted Discount Rate' method for analyzing risk in capital budgeting involves:
(A) Adjusting cash flows to their certainty equivalents.
(B) Calculating the standard deviation of project NPV.
(C) Using a higher discount rate for riskier projects.
(D) Reducing the project's life to a certain period.

36. Which of the following are potential sources of value creation (synergy) in a merger?
(i) Operating economies of scale
(ii) Financial synergy through lower cost of capital
(iii) Increased market power
(iv) Acquisition of unique capabilities or technology
(v) Tax benefits from carrying forward losses
(A) (i), (ii) and (iii) only
(B) (i), (iii), and (v) only
(C) (ii), (iv) and (v) only
(D) (i), (ii), (iii), (iv), and (v)

37. The 'Certainty Equivalent' coefficient for a cash flow of ₹10,000 is 0.8. What is the risk-adjusted cash flow?
(A) ₹12,500
(B) ₹10,000
(C) ₹8,000
(D) ₹2,000

38. According to Gordon's Growth Model, for a 'growth firm' where $r > k$, what is the optimal dividend payout ratio?
(A) 100%
(B) 0%

CHAPTER 05

Strategic Financial Management

1. In the context of finance, what does 'Time Preference for Money' primarily signify?
(A) The preference for holding money in liquid form rather than investing it.
(B) The preference for receiving money sooner rather than later.
(C) The preference for investing in high-risk, high-return securities.
(D) The preference for money from foreign sources over domestic sources.

2. Which of the following is a key reason for an individual's positive time preference for money?
(A) The opportunities for investment to earn a return.
(B) The high certainty of future cash flow receipts.
(C) The presence of general deflation in the economy.
(D) The decreasing purchasing power of money over time.

3. Based on the statements given below, choose the correct option.
Statement I: The value of any financial asset is the present value of the cash flows expected from it.
Statement II: The discount rate used to find the present value is the required rate of return commensurate with the asset's risk.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

4. A bond that never matures is known as a:
(A) Zero-coupon bond
(B) Redeemable bond
(C) Convertible bond
(D) Perpetual bond or consol

5. Match the items in List I (Valuation Concept) with those in List II (Description/Formula):
List I
P. Value of a perpetual bond
Q. Value of a zero-growth share
R. Risk-free rate + Risk premium
S. Systematic risk
Liat II
1. Dividend / Cost of Equity
2. Required Rate of Return
3. Beta (β)
4. Interest / Required Rate of Return
(A) P-4, Q-1, R-2, S-3
(B) P-1, Q-4, R-3, S-2
(C) P-4, Q-2, R-1, S-3
(D) P-3, Q-1, R-2, S-4

6. Which of the following statements about bond valuation is incorrect?
(A) The value of a bond is inversely related to the market interest rate.
(B) The value of a bond is directly proportional to its maturity period.
(C) A bond sells at a discount when the coupon rate is lower than the return.
(D) Long-term bond prices are more sensitive to interest rates than short-term.

7. A company with a stable dividend policy and a cost of equity of 12% just paid a dividend of ₹3 per share. If the dividend is expected to grow at a constant rate of 5% per annum, what is the intrinsic value of the share?
(A) ₹25.00
(B) ₹42.86
(C) ₹60.00
(D) ₹45.00

8. Assertion (A): The Capital Asset Pricing Model (CAPM) is a single-factor model for determining the required rate of return of a security.
Reason (R): CAPM assumes that the only relevant risk is systematic risk, which is measured by beta.
(A) Both A and R are true and R is the correct explanation of A.

Click Here to Buy book on Amazon

50. Assertion (A): In capital budgeting, NPV is generally considered a superior method to IRR for ranking mutually exclusive projects.
Reason (R): The NPV method implicitly assumes that intermediate cash flows are reinvested at the cost of capital, which is a more realistic assumption than IRR's reinvestment rate assumption.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

51. The primary function of the foreign exchange market is to:
(A) Control the flow of international trade.
(B) Set interest rates for different currencies.
(C) Facilitate the conversion of one currency into another.
(D) Manage the balance of payments for a country.

52. In a 'without recourse' factoring arrangement, who bears the loss if a customer fails to pay?
(A) The firm that sold the receivables.
(B) The customer who defaulted.
(C) The firm and factor share the loss.
(D) The factor (the financial institution).

53. Based on the statements given below, choose the correct option.
Statement I: The holder of a call option has the right to sell the underlying asset.
Statement II: The writer (seller) of a put option has the obligation to buy the underlying asset if the option is exercised.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is false, but Statement II is true.
(D) Statement I is true, but Statement II is false.

54. The cost of not taking a cash discount on trade credit is a form of:
(A) Explicit cost of payables management.
(B) Implicit cost of payables management.
(C) Sunk cost of the organization.
(D) Opportunity cost of investment.

55. According to the dividend theories of Walter and Gordon, which of the following is the most important determinant of a firm's value and its dividend policy?
(A) The relationship between rate of return (r) and cost (k).
(B) The firm's earnings per share (E).
(C) The firm's dividend per share (D).
(D) The firm's retention ratio (b).

56. Which of the following are generally considered determinants of the amount of working capital a firm needs?
(i) Company's credit policy
(ii) Production cycle length
(iii) Availability of raw materials
(iv) Book value of fixed assets
(A) (i) and (iv) only
(B) (i), (ii) and (iii) only
(C) (ii), (iii) and (iv) only
(D) (i), (ii), (iii) and (iv)

57. The risk that arises from a firm's inability to cover its fixed operating costs is known as:
(A) Financial risk
(B) Market risk
(C) Operating risk or Business risk
(D) Interest rate risk

58. What is the primary advantage of a futures contract over a forward contract?
(A) Elimination of counterparty (default) risk.
(B) Greater flexibility in contract terms.
(C) Lower overall transaction costs.
(D) Ability to specify any delivery date.

59. A corporate action where a company creates a new independent company by selling or distributing new shares of its existing business is called a:
(A) Split-up
(B) Divestiture
(C) Equity carve-out
(D) Spin-off

60. The valuation of shares that assumes dividends will grow at a rate 'g' forever is based on the:
(A) Zero-growth model
(B) Constant-growth model (Gordon's model)
(C) Two-stage growth model
(D) H-model

NODIA

61. Identify the factors that influence the price of an option contract.
(i) Price of the underlying asset
(ii) Strike price
(iii) Time to expiration
(iv) Volatility of the underlying asset
(v) Risk-free interest rate
(A) (i), (ii) and (iii) only
(B) (i), (iii), and (v) only
(C) (ii), (iv) and (v) only
(D) (i), (ii), (iii), (iv), and (v)

62. The Internal Rate of Return (IRR) is the discount rate that makes the Net Present Value (NPV) of a project:
(A) Equal to one
(B) As high as possible
(C) Equal to the cost of capital
(D) Equal to zero

63. In portfolio management, diversification is most effective at reducing:
(A) Unsystematic risk
(B) Systematic risk
(C) Market risk
(D) Total risk to zero

64. A firm is evaluating an investment that costs ₹50,000 and is expected to have a life of 5 years. It uses straight-line depreciation to zero and its tax rate is 30%. What is the annual depreciation tax shield from this investment?
(A) ₹10,000
(B) ₹3,000
(C) ₹7,000
(D) ₹30,000

65. Arrange the following capital budgeting techniques in order of increasing sophistication (from least to most).
(i) Net Present Value (NPV)
(ii) Payback Period
(iii) Internal Rate of Return (IRR)
(iv) Accounting Rate of Return (ARR)
(A) (ii), (iv), (iii), (i)
(B) (iv), (ii), (i), (iii)
(C) (ii), (iv), (i), (iii)
(D) (iv), (ii), (iii), (i)

66. Which one of the following is NOT an assumption of the CAPM?
(A) Unsystematic risk is priced by the market.
(B) Investors can borrow at the risk-free rate.
(C) There are no taxes or transaction costs.
(D) All investors have a one-period horizon.

67. A 'forward contract' to buy or sell a currency at a future date is typically:
(A) Traded on a centralized exchange.
(B) A standardized contract.
(C) A customized agreement between two parties.
(D) Guaranteed by a clearing house.

68. What is the effect on the value of a call option if the price of the underlying stock increases, ceteris paribus?
(A) The value of the call option decreases.
(B) The value of the call option remains unchanged.
(C) The effect is indeterminate.
(D) The value of the call option increases.

69. In M&A, the 'value creation' principle suggests a merger is financially justified only if:
(A) Post-merger earnings per share are higher.
(B) The combined firm is larger than individuals.
(C) Combined value is greater than the sum.
(D) Stock price increases after announcement.

70. Match the Risk Analysis Technique (List I) with its Methodology (List II):
List I
P. Sensitivity Analysis
Q. Scenario Analysis
R. Certainty Equivalent
S. Risk-Adjusted Discount Rate
List II
1. Adjusts flows to risk-free equivalent
2. Changes one input variable at a time
3. Uses a higher rate for riskier projects
4. Considers multiple simultaneous changes
(A) P-4, Q-2, R-3, S-1
(B) P-2, Q-4, R-1, S-3
(C) P-2, Q-1, R-4, S-3
(D) P-3, Q-4, R-1, S-2

71. The "bird-in-hand" argument is often associated with which theory of dividend policy?
(A) Modigliani-Miller Irrelevance Theory
(B) Walter's Dividend Relevance Theory
(C) Residual Theory of Dividends

Downloaded from www.pdf.tube

(D) Gordon's Dividend Relevance Theory

72. If a company has a policy of financing all its investments with retained earnings and paying dividends only if there are funds left over, it is following a:
(A) Residual dividend policy
(B) Stable dividend policy
(C) Constant payout ratio policy
(D) Regular plus extra dividend policy

73. The Miller-Orr model is a cash management model that is designed to:
(A) Determine optimal cash balance under certainty.
(B) Minimize the total cost of managing inventory.
(C) Manage cash flows that fluctuate randomly.
(D) Evaluate the creditworthiness of customers.

74. A receivable management technique where a firm offers a percentage reduction in the sales price for payment within a specified short period is known as a:
(A) Cash discount
(B) Credit period
(C) Credit standard
(D) Collection policy

75. Assertion (A): Factoring 'without recourse' is more expensive for a firm than factoring 'with recourse'.
Reason (R): In 'without recourse' factoring, the factor assumes the entire credit risk, which justifies a higher fee.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

76. The difference between the spot exchange rate and the forward exchange rate for a currency is known as the:
(A) Exchange margin
(B) Forward premium or discount
(C) Spread
(D) Interest rate differential

77. An option that is "out-of-the-money" is one where immediate exercise would result in:
(A) A positive payoff
(B) A profit equal to the premium paid
(C) A zero or negative payoff
(D) A break-even position

78. Which of the following statements about portfolio management is incorrect?
(A) The goal is to maximize return for a risk level.
(B) The goal is to minimize risk for a return level.
(C) Risk depends on asset correlation.
(D) Perfect positive correlation provides max benefits.

79. The total risk of a security can be bifurcated into:
(A) Systematic risk and unsystematic risk
(B) Business risk and financial risk
(C) Market risk and interest rate risk
(D) Inflation risk and currency risk

NODIA

80. A 'spin-off' and a 'split-up' are both forms of divestiture. The primary difference is that:
(A) In split-ups the parent firm exists.
(B) In spin-offs the parent firm exists.
(C) Spin-offs involve a cash transaction.
(D) Split-ups involve selling to third parties.

81. Which of the following statements correctly describe the payback period method of capital budgeting?
(i) It ignores the time value of money.
(ii) It does not consider cash flows occurring after the payback period.
(iii) It is simple to calculate and understand.
(iv) It uses accounting profit instead of cash flows.
(A) (i) and (iv) only
(B) (i), (ii) and (iii) only
(C) (ii), (iii) and (iv) only
(D) (i), (ii), (iii) and (iv)

82. The Security Market Line (SML) is a graphical representation of the:
(A) Capital Asset Pricing Model (CAPM)
(B) Arbitrage Pricing Theory (APT)
(C) Gordon Growth Model
(D) Modigliani-Miller Theorem

83. The value of a redeemable bond is the sum of:
(A) Present value of future interest payments only.
(B) Present value of the redemption value only.
(C) PV of future interest and redemption value.
(D) Face value plus all future interest payments.

84. In working capital management, the 'operating cycle' starts with raw materials and ends with:
(A) The sale of finished goods.
(B) The production of finished goods.
(C) The payment to suppliers.
(D) The collection of cash from receivables.

85. Which of the following is NOT a defense mechanism against a hostile takeover?
(A) Poison Pill
(B) White Knight
(C) Leveraged Buyout
(D) Golden Parachute

86. Which of the following statements about derivatives are correct?
(i) A futures contract is marked-to-market daily.
(ii) A forward contract is a private agreement.
(iii) The writer of a call option has limited profit potential.
(iv) The buyer of a put option hopes the price will rise.
(v) Options are rights, while futures are obligations.
(A) (i), (ii), (iv), and (v)
(B) (ii), (iii), (iv), and (v)
(C) (i), (ii), (iii), and (v)
(D) (i), (iii), (iv), and (v)

87. A project has a Profitability Index (PI) of 1.15. This implies that:
(A) Every dollar invested generates $0.15 PV.
(B) The project's IRR is exactly 15%.
(C) The payback period is 1.15 years.
(D) The project's NPV is positive.

88. If a firm's return on investment (r) is equal to its cost of capital (k), then according to Walter's model, the dividend payout ratio will:
(A) Not affect the value of the share.
(B) Increase the value of the share.
(C) Decrease the value of the share.
(D) First increase and then decrease value.

89. Based on the statements given below, choose the correct option.
Statement I: The foreign exchange market is a physical place where currencies are traded.
Statement II: The main participants in the foreign exchange market include commercial banks, central banks, corporations, and brokers.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is false, but Statement II is true.
(D) Statement I is true, but Statement II is false.

90. The concept of 'synergy' in mergers and acquisitions is often expressed as:
(A) $2 + 2 = 5$
(B) $2 + 2 = 4$
(C) $2 + 2 = 3$
(D) $2 - 2 = 0$

91. Which of the following identifies a correct pair related to working capital management?
(A) Baumol Model - Inventory Management
(B) Miller-Orr Model - Receivables Management
(C) ABC Analysis - Cash Management
(D) 5 Cs of Credit - Credit Evaluation

92. The process of corporate restructuring that involves the sale of a division or a part of a firm to an outside party is called:
(A) Spin-off
(B) Divestiture
(C) Split-up
(D) Merger

93. The pay-off profile of a long position in a call option is:
(A) Limited profit, limited loss.
(B) Limited profit, unlimited loss.
(C) Unlimited profit, limited loss.
(D) Unlimited profit, unlimited loss.

94. If a bond's coupon rate is greater than the market interest rate, the bond will sell at:
(A) A discount
(B) Par value
(C) Its book value
(D) A premium

95. Match the Dividend Theory (List I) with its Proponent (List II):
List I

Click Here to Buy book on Amazon

P. Dividend Irrelevance Theory
Q. Bird-in-Hand Theory
R. Residual Theory of Dividend
S. Dividend Relevance based on r and k

List II
1. Myron Gordon
2. James Walter
3. Modigliani and Miller
4. Ezra Solomon

(A) P-1, Q-3, R-2, S-4
(B) P-3, Q-1, R-4, S-2
(C) P-3, Q-4, R-1, S-2
(D) P-2, Q-1, R-4, S-3

96. Which of the following is an exception to the general rule that diversification reduces risk?
(A) When assets are negatively correlated.
(B) When assets are perfectly positively correlated.
(C) When assets have zero correlation.
(D) When assets are from different industries.

97. An "American Option" can be exercised:
(A) Only on the expiration date.
(B) At any time up to and including expiration.
(C) Only when the option is "in-the-money".
(D) Only in the United States.

98. The primary purpose of Portfolio Management is to:
(A) Achieve an optimal trade-off between risk and return.
(B) Select only the highest-returning stocks.
(C) Eliminate all investment risk.
(D) Invest in a single, well-performing asset.

99. Delaying payments to suppliers can:
(A) Increase the cost of goods sold.
(B) Always damage the firm's credit rating.
(C) Serve as a spontaneous source of financing.
(D) Increase the cash conversion cycle.

100. Assertion (A): For a declining firm ($r < k$), the market price increases as the payout increases.
Reason (R): Investors prefer current dividends over uncertain gains, as investments yield less than cost.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

101. In the context of bond valuation, "Yield to Maturity" (YTM) is the:
(A) Coupon rate of the bond.
(B) Return if sold before maturity.
(C) Internal rate of return on a bond.
(D) Current yield in the market.

102. What is the cause-and-effect relationship between risk and return in finance?
(A) Higher returns cause higher risk.
(B) Higher risk leads to higher expected returns.
(C) There is no relationship between risk and return.
(D) Higher risk always guarantees higher returns.

103. If a project's IRR is greater than the cost of capital, its NPV will be:
(A) Negative
(B) Zero
(C) Indeterminate
(D) Positive

104. Which of the following best describes 'Takeover' in corporate finance?
(A) Acquisition of control of one firm by another.
(B) Mutually agreed combination of two firms.
(C) The sale of a company's assets.
(D) Firm issuing new stock to the public.

105. The primary difference between a merger and an acquisition is that:
(A) A merger is hostile, acquisition is friendly.
(B) Acquisitions are only for small companies.
(C) Merger creates a new legal entity.
(D) Mergers are financed strictly with stock.

106. Which of the following statements about portfolio risk are true?
(i) Unsystematic risk is also known as diversifiable risk.
(ii) Systematic risk is also known as market risk.
(iii) A well-diversified portfolio has negligible unsystematic risk.
(iv) Beta is a measure of unsystematic risk.
(A) (i) and (iv) only

Downloaded from www.pdf.tube

(D) Net Present Value

180. A horizontal merger is a merger between:
(A) Firms in unrelated industries.
(B) Firms at different production stages.
(C) A company and its supplier.
(D) Firms in same industry competitors.

181. Which of the following statements correctly describe the Arbitrage Pricing Theory (APT)?
(i) It is a multi-factor model.
(ii) Returns are function of macro factors.
(iii) Investors do not all hold market portfolio.
(iv) It specifies exactly three factors.
(A) (i) and (iv) only
(B) (i), (ii) and (iii) only
(C) (ii), (iii) and (iv) only
(D) (i), (ii), (iii) and (iv)

182. A conglomerate merger is a merger between:
(A) Two firms in the same industry.
(B) Two firms in unrelated industries.
(C) A firm and its supplier.
(D) A firm and its distributor.

183. The main benefit of holding a diversified portfolio compared to a single security is:
(A) Elimination of systematic risk.
(B) Guaranteed higher rate of return.
(C) Increase in the portfolio's beta.
(D) Reduction of unsystematic risk.

184. If the spot price of a stock is below the strike price of a call option, the option is:
(A) Out-of-the-money
(B) In-the-money
(C) At-the-money
(D) Near-the-money

185. Which of the following is NOT an element of a firm's working capital management?
(A) Management of receivables.
(B) Management of inventory.
(C) Management of long-term debt.
(D) Management of marketable securities.

186. Which of the following represent potential benefits of a merger or acquisition (synergies)?
(i) Economies of scale
(ii) Elimination of duplicate functions
(iii) Increased market power
(iv) Access to new technology
(v) Lower cost of capital
(A) (i), (ii), and iv only
(B) (i), (iii), and v only
(C) (ii), (iv), and v only
(D) (i), (ii), (iii), (iv), and (v)

187. The interest rate used in the Net Present Value (NPV) calculation is often referred to as the:
(A) Coupon rate
(B) Internal rate of return
(C) Risk-free rate
(D) Hurdle rate or cost of capital

188. A firm with a high degree of business risk is one with:
(A) High levels of debt.
(B) Variability in sales and earnings.
(C) Predictable stream of revenue.
(D) Low fixed operating costs.

189. Based on the statements given below, choose the correct option.
Statement I: Gordon's model assumes a constant growth rate of dividends.
Statement II: Walter's model considers the relationship between 'r' and 'k'.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

190. What is the primary risk associated with a forward contract mitigated by a futures contract?
(A) Price risk
(B) Interest rate risk
(C) Liquidity risk
(D) Counterparty default risk

NODIA

191. A "golden parachute" is a provision in an executive's contract that provides:
(A) Benefits if job is lost following takeover.
(B) Bonus for completing a merger.
(C) Stock options vesting upon retirement.
(D) Lifetime appointment to the board.

192. In managing receivables, a firm's 'credit policy' typically consists of all EXCEPT:
(A) Credit period
(B) Inventory levels
(C) Credit standards

(A) To earn higher return, accept lower risk.
(B) Risk assets always provide high returns.
(C) Risk and return are negatively correlated.
(D) To earn higher return, accept higher risk.

120. Match the Term (List I) with its Definition (List II):
List I
P. Synergy
Q. Due Diligence
R. LBO
S. Hostile Takeover
List II
1. Acquisition financed with debt
2. Investigation of a target company
3. Combined value is greater than sum
4. Takeover opposed by management
(A) P-1, Q-3, R-2, S-4
(B) P-3, Q-2, R-4, S-1
(C) P-3, Q-2, R-1, S-4
(D) P-2, Q-1, R-4, S-3

121. The value of a share under the zero-growth dividend model is calculated as:
(A) D1 / (ke - g)
(B) E1 / ke
(C) D1 / ke
(D) (D1 + P1) / (1 + ke)

122. Which of the following statements about the Arbitrage Pricing Theory (APT) is correct?
(A) It is based on arbitragers eliminating mispricing.
(B) It specifies exact factors and identity.
(C) It assumes all hold market portfolio.
(D) It is a single-factor model like CAPM.

123. The 'stripping' of a company's assets after a takeover, often associated with LBOs, is known as:
(A) Asset integration
(B) Asset securitization
(C) Asset diversification
(D) Asset stripping

124. In inventory management, the EOQ model balances which two costs?
(A) Purchase cost and carrying cost.
(B) Ordering cost and carrying cost.
(C) Ordering cost and stock-out cost.
(D) Purchase cost and stock-out cost.

125. Assertion (A): A forward contract is more flexible than a futures contract.
Reason (R): Forward contracts are private, customized agreements, unlike standardized futures.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

126. A company must determine if it should extend credit. The key trade-off it must consider is between:
(A) Higher inventory and lower production.
(B) Shareholder wealth and compensation.
(C) Short-term and long-term borrowing.
(D) Increased sales and management costs.

127. Exchange rates are in equilibrium when their purchasing power is the same in two countries. This is:
(A) Purchasing Power Parity (PPP)
(B) Interest Rate Parity
(C) International Fisher Effect
(D) Covered Interest Arbitrage

128. Based on the statements given below, choose the correct option.
Statement I: The risk-adjusted discount rate method adjusts risk by modifying the discount rate.
Statement II: The certainty equivalent method adjusts risk by modifying the cash flows.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

129. If the NPV of a project is zero, the Profitability Index (PI) will be:
(A) 0
(B) 1
(C) -1
(D) Greater than 1

130. The primary motive for holding precautionary cash balances is to:
(A) Provide a cushion for unexpected contingencies.

Click Here to Buy book on Amazon

(A) Unlimited
(B) The strike price
(C) The spot price
(D) The premium paid for the option

156. Which of the following are valid criticisms of the payback period method?
(i) It ignores cash flows beyond the period.
(ii) It ignores the time value of money.
(iii) It is difficult to calculate.
(iv) No clear accept/reject criterion.
(A) (i) and (ii) only
(B) (i), (ii) and (iv) only
(C) (iii) and (iv) only
(D) (i), (ii), (iii) and (iv)

157. According to Walter's model, if a firm has return (r) greater than its cost of capital (k), it should have:
(A) A 100% dividend payout ratio.
(B) A 50% dividend payout ratio.
(C) A 0% dividend payout ratio.
(D) Any payout ratio as value won't change.

158. The pay-off profile for a writer (seller) of a call option is:
(A) Limited profit, limited loss.
(B) Unlimited profit, limited loss.
(C) Unlimited profit, unlimited loss.
(D) Limited profit, unlimited loss.

159. If the IRR of a project is equal to the company's cost of capital, the project's NPV will be:
(A) Zero
(B) Positive
(C) Negative
(D) Equal to the initial investment

160. 'Factoring' is a service related to the management of:
(A) Cash
(B) Receivables
(C) Inventory
(D) Payables

161. A merger negotiation process typically involves which of the following stages?
(i) Initial discussions.
(ii) Detailed due diligence.
(iii) Negotiation of price.
(iv) Drafting of agreement.
(v) Seeking regulatory approvals.
(A) (i), (ii) and (iii) only
(B) (i), (iii), and (v) only
(C) (ii), (iv) and (v) only
(D) (i), (ii), (iii), (iv), and (v)

162. The main advantage of using NPV for comparing mutually exclusive projects is that:
(A) Direct measure of shareholder wealth contribution.
(B) It is a simple percentage measure.
(C) Assumes reinvestment at the IRR.
(D) It is easier to calculate than IRR.

NODIA

163. The risk premium for a security is the:
(A) Return minus the inflation rate.
(B) Return minus market portfolio return.
(C) Return in excess of the risk-free rate.
(D) Standard deviation of the returns.

164. What is the key feature of a 'leveraged buyout'?
(A) Use of a large amount of equity
(B) It is always a hostile takeover
(C) Must be in the technology sector
(D) Use of debt to finance acquisition

165. Arrange components of the operating cycle:
(i) Sale of finished goods
(ii) Conversion of materials
(iii) Procurement of materials
(iv) Collection of cash
(A) (iii), (ii), (i), (iv)
(B) (iii), (i), (ii), (iv)
(C) (ii), (iii), (i), (iv)
(D) (i), (iii), (ii), (iv)

166. A European put option gives the holder the right to:
(A) Buy asset at strike on expiration.
(B) Sell asset at strike on expiration.
(C) Sell asset at strike before expiration.
(D) Buy asset at strike before expiration.

167. A firm's dividend policy is primarily a decision about:
(A) How much debt to use in structure.
(B) Which long-term projects to invest in.
(C) How to price products in market.
(D) How much earnings to retain vs payout.

if the stock price goes down significantly.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is false, but Statement II is true.
(D) Statement I is true, but Statement II is false.

144. Which of the following represents an incorrect pair?
(A) Corporate Restructuring - Spin-off
(B) Dividend Theory - Certainty Equivalent
(C) Working Capital Management - EOQ Model
(D) Portfolio Management - Beta

145. Match the CAPM Variable (List I) with its Description (List II):
List I
P. R_f
Q. β (Beta)
R. $E(R_m)$
S. $E(R_m) - R_f$
List II
1. Expected return on market portfolio
2. Market risk premium
3. Risk-free rate of return
4. Measure of systematic risk
(A) P-3, Q-4, R-1, S-2
(B) P-1, Q-2, R-3, S-4
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-3, R-1, S-2

146. For a project to be acceptable, its Net Present Value (NPV) must be:
(A) Greater than or equal to zero
(B) Less than zero
(C) Equal to the initial investment
(D) Equal to one

147. A "poison pill" is a tactic used by:
(A) Acquiring company to make offer attractive.
(B) Financial intermediary to facilitate deal.
(C) Target to make firm less attractive to bidder.
(D) Regulatory body to prevent a merger.

148. According to the M&M hypothesis, what makes dividend policy relevant in the real world?
(A) Assumption of perfect capital markets.
(B) Fixed investment policy of the firm.
(C) The general rationality of investors.
(D) Existence of taxes and transaction costs.

149. The holding period return on a share of stock is calculated based on:
(A) Purchase and selling price only.
(B) Dividends received during period only.
(C) Prices and any dividends received.
(D) Par value and the dividend paid.

150. Assertion (A): In working capital management, there is a trade-off between liquidity and profitability.
Reason (R): Holding high levels of current assets increases liquidity but reduces profitability because they earn low return.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

151. The market in which currencies are traded for immediate delivery (within two business days) is the:
(A) Forward Market
(B) Futures Market
(C) Money Market
(D) Spot Market

152. Which technique provides a range of possible outcomes (worst, most likely, best) for a project?
(A) Scenario analysis
(B) Sensitivity analysis
(C) Monte Carlo simulation
(D) Decision tree analysis

153. A stock with a beta of 0.5 is expected to:
(A) Be twice as volatile as the market.
(B) Move in opposite direction to market.
(C) Be half as volatile as the market.
(D) Be completely uncorrelated with market.

154. Creating an independent company whose shares are distributed to the parent's shareholders is called:
(A) A spin-off
(B) A leveraged buyout
(C) A divestiture
(D) A hostile takeover

155. The maximum loss for a buyer of a call or put option is:

Downloaded from www.pdf.tube

205. The optimal level of working capital for a firm is the level that is expected to:
(A) Maximize sales.
(B) Minimize risk.
(C) Maximize the value of the firm.
(D) Minimize total capital costs.

206. Which of the following statements about cash management are correct?
(i) Transaction motive is for routine payments.
(ii) Speculative motive is for opportunities.
(iii) Baumol model determines optimal balance.
(iv) Objective is to balance liquidity.
(A) (i), (ii) and (iv) only
(B) (i), (iii) and (iv) only
(C) (ii) and (iii) only
(D) (i), (ii), (iii) and (iv)

207. A vertical merger where a firm acquires one of its distributors is called:
(A) Forward integration
(B) Backward integration
(C) Horizontal integration
(D) Conglomerate merger

208. The break-even point for a long put option position is:
(A) Strike Price
(B) Strike Price - Premium
(C) Strike Price + Premium
(D) Spot Price - Premium

209. The primary goal of financial management and capital budgeting is to:
(A) Maximize profit
(B) Maximize shareholder wealth
(C) Maximize sales revenue
(D) Minimize costs

210. An exchange rate derived from the rates of two currencies with a third is:
(A) Cross rate
(B) Spot rate
(C) Forward rate
(D) Indirect rate

211. Identify the correct statements regarding the comparison of NPV and IRR.
(i) NPV is absolute profitability.
(ii) Can give conflicting rankings.
(iii) NPV assumes reinvestment at cost.
(iv) IRR assumes reinvestment at IRR.
(v) NPV is superior for selection.
(A) (i), (ii), and (iii) only
(B) (i), (ii), (iv), and (v) only
(C) (ii), (iii), (iv), and (v) only
(D) (i), (ii), (iii), (iv), and (v)

NODIA

212. If a stock's returns move with market but with smaller magnitude, beta is:
(A) Greater than 1
(B) Equal to 1
(C) Negative
(D) Between 0 and 1

213. Valuation of a share not expected to grow and pays all earnings as dividends:
(A) Using Gordon model with g=0.
(B) Dividends / required return.
(C) EPS / required return.
(D) All of the above.

214. The term 'Merger Negotiations' refers to the process where:
(A) Two firms negotiate joint marketing.
(B) Acquirer and target negotiate terms.
(C) Company negotiates loan with bank.
(D) Board discusses potential targets.

215. Arrange working capital financing policies from most aggressive to most conservative.
(i) Matching Approach
(ii) Conservative Approach
(iii) Aggressive Approach
(A) (iii), (i), (ii)
(B) (ii), (i), (iii)
(C) (i), (iii), (ii)
(D) (iii), (ii), (i)

216. 'Greenmail' is a takeover defense tactic that involves:
(A) Buying back shares from bidder at premium.
(B) Filing environmental lawsuits.
(C) Issuing shares to friendly party.
(D) Selling off most valuable assets.

217. In the context of derivatives, 'marking to market' is a feature of:
(A) Forward contracts
(B) Over-the-counter options
(C) Futures contracts
(D) Swap agreements

168. Based on the statements given below, choose the correct option.
Statement I: Systematic risk is caused by factors affecting all securities.
Statement II: Unsystematic risk is company-specific and can be reduced through diversification.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

169. The '5 Cs of Credit' used in receivables management are Character, Capacity, Capital, Collateral, and:
(A) Competition
(B) Cost
(C) Conditions
(D) Cash

170. Match the Financial Concept (List I) with its Theory/Model (List II):
List I
P. Portfolio Diversification
Q. Option Pricing
R. Dividend Relevance
S. Budgeting under Uncertainty
List II
1. Walter's Model
2. Certainty Equivalent Method
3. Markowitz Model
4. Black-Scholes Model
(A) P-1, Q-2, R-3, S-4
(B) P-3, Q-4, R-2, S-1
(C) P-3, Q-4, R-1, S-2
(D) P-4, Q-3, R-1, S-2

171. In International Financial Management, a currency expected to increase in value is a:
(A) Soft currency
(B) Pegged currency
(C) Floating currency
(D) Hard currency

172. The main difference between a forward contract and a futures contract lies in their:
(A) Underlying asset
(B) Standardization and trading mechanism
(C) Expiration dates
(D) Profit potential

173. What is the "Time Value" of an option?
(A) The price of the option.
(B) Difference between premium and intrinsic.
(C) Both (B) and (D) are correct.
(D) Value derived from time until expiration.

174. A 'White Knight' is a term used in M&A to describe:
(A) A hostile bidder.
(B) The investment bank advising target.
(C) Regulatory body approving merger.
(D) Friendly acquirer who saves target.

175. Assertion (A): The APT does not specify which factors are important in determining the expected return.
Reason (R): Identification of sensitivities in APT is a complex empirical challenge, unlike CAPM.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

176. The concept of 'time preference for money' is the central reason for:
(A) Calculating depreciation.
(B) Discounting future cash flows.
(C) Issuing common stock.
(D) Managing accounts payable.

177. The valuation of a share of common stock depends primarily on:
(A) Its past earnings.
(B) Dividends and required return.
(C) Its book value.
(D) Par value of stock.

178. What does a beta greater than 1.0 signify for a stock?
(A) More volatile than the overall market.
(B) Less volatile than the overall market.
(C) The stock has no systematic risk.
(D) Returns are negatively correlated.

179. Which method calculates the discount rate at which the project's NPV equals zero?
(A) Payback Period
(B) Accounting Rate of Return
(C) Internal Rate of Return

Click Here to Buy book on Amazon

(B) (i), (ii) and (iii) only
(C) (ii), (iii) and (iv) only
(D) (i), (ii), (iii) and (iv)

107. The payoff for the writer (seller) of a put option is:
(A) Max (0, Strike Price - Spot Price) - Premium
(B) Max (0, Spot Price - Strike Price) - Premium
(C) Premium - Max (0, Spot Price - Strike Price)
(D) Premium - Max (0, Strike Price - Spot Price)

108. Which restructuring results in the parent ceasing to exist and shareholders receiving stock in separate companies?
(A) Spin-off
(B) Split-up
(C) Divestiture
(D) Equity Carve-out

109. Under the constant-growth DDM, if the required rate of return increases, what happens to the value of the share?
(A) It increases.
(B) It remains unchanged.
(C) It decreases.
(D) It becomes zero.

110. A firm has a cash conversion cycle of 60 days. This means that:
(A) The firm takes 60 days to pay suppliers.
(B) The firm holds inventory for 60 days.
(C) Customers take 60 days to pay bills.
(D) 60 days from material pay to cash collection.

111. Identify the assumptions of the Modigliani-Miller dividend irrelevance hypothesis.
(i) Perfect capital markets exist.
(ii) There are no taxes.
(iii) The firm has a fixed investment policy.
(iv) There is no uncertainty.
(v) Transaction costs are zero.
(A) (i), (ii), and (iii) only
(B) (i), (ii), (iii), and (v) only
(C) (ii), (iv), and (v) only
(D) (i), (ii), (iii), (iv), and (v)

112. The Baumol model of cash management is similar to which inventory management model?
(A) ABC Analysis
(B) Economic Order Quantity (EOQ)
(C) Just-in-Time (JIT)
(D) VED Analysis

113. An exchange rate quoted as USD/INR = 75.00 is a:
(A) Direct quote for an Indian resident.
(B) Indirect quote for an Indian resident.
(C) Cross rate.
(D) Forward rate.

114. If a company uses a very high discount rate in its NPV calculations, it will tend to favor:
(A) Projects with a quick payback period.
(B) Projects with cash flows in the future.
(C) Projects with long operating lives.
(D) Large-scale, capital-intensive projects.

115. Arrange the following events in the life of a typical derivative contract chronologically.
(i) Expiration of the contract
(ii) Entering into the contract
(iii) Settlement of the contract
(iv) Fluctuation in asset price
(A) (ii), (iv), (i), (iii)
(B) (i), (ii), (iv), (iii)
(C) (ii), (i), (iii), (iv)
(D) (iv), (ii), (i), (iii)

116. The risk that the party on the other side of a financial contract will not fulfill its obligation is called:
(A) Market risk
(B) Liquidity risk
(C) Operational risk
(D) Counterparty risk

NODIA

117. Which of the following is NOT a capital budgeting evaluation method?
(A) Profitability Index
(B) Net Present Value
(C) Return on Investment (ROI)
(D) Internal Rate of Return

118. A company is considering replacing an old machine with a more efficient one. This is an example of what?
(A) Expansion decision
(B) Replacement decision
(C) Diversification decision
(D) Mutually exclusive decision

119. The risk-return trade-off implies that:

(D) Cash discount

193. The foreign exchange market provides mechanisms for:
(A) Transferring purchasing power.
(B) All of the above.
(C) Credit for international trade.
(D) Hedging foreign exchange risk.

194. The break-even point for a long call option position is:
(A) Strike Price + Premium
(B) Strike Price
(C) Strike Price - Premium
(D) Spot Price + Premium

195. Match the Financial Instrument (List I) with its Primary Purpose (List II):
List I
P. Call Option
Q. Put Option
R. Forward Contract
S. Diversification
List II
1. Bet that asset price will fall
2. Reducing unsystematic risk
3. Bet that asset price will rise
4. Locking in future exchange rate
(A) P-1, Q-3, R-2, S-4
(B) P-3, Q-1, R-4, S-2
(C) P-3, Q-2, R-1, S-4
(D) P-4, Q-1, R-3, S-2

196. The time value of money suggests that a dollar received today is worth:
(A) Less than dollar in the future.
(B) Same as dollar in the future.
(C) Impossible amount to determine.
(D) More than dollar in the future.

197. The discount rate that equates PV of future cash flows with market price is:
(A) Coupon yield
(B) Current yield
(C) Yield to maturity (YTM)
(D) Capital yield

198. Systematic risk is also known as:
(A) Diversifiable risk
(B) Non-diversifiable risk
(C) Firm-specific risk
(D) Residual risk

199. What is the fundamental difference between capital budgeting and working capital management?
(A) Budgeting is financing, working is investment.
(B) Budgeting uses NPV, working uses IRR.
(C) Budgeting is reversible, working is not.
(D) Budgeting is long-term, working is short-term.

200. Assertion (A): According to MM irrelevance, value is determined by investment policy not dividend policy.
Reason (R): Positive effect of dividend is perfectly offset by dilution from new share issue.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

201. Which method involves developing probabilistic distributions and using computer simulation?
(A) Sensitivity Analysis
(B) Scenario Analysis
(C) Monte Carlo Simulation
(D) Certainty Equivalent Method

202. The acquisition of a supplier or a customer is known as a:
(A) Vertical merger
(B) Horizontal merger
(C) Conglomerate merger
(D) Concentric merger

203. The Arbitrage Pricing Theory (APT) differs from the CAPM because APT:
(A) Is a single-factor model.
(B) Only considers unsystematic risk.
(C) Is less general and restrictive.
(D) Assumes a multi-factor model.

204. The intrinsic value of an 'in-the-money' call option is:
(A) Strike Price - Stock Price
(B) Stock Price - Strike Price
(C) Zero
(D) The premium paid

NODIA

(B) Take advantage of investment opportunities.
(C) Meet routine, foreseen payments.
(D) Speculate on interest rate movements.

131. Which of the following are characteristics of a Leveraged Buyout (LBO)?
(i) High proportion of debt financing
(ii) Target's assets used as collateral
(iii) Buyers often own management (MBO)
(iv) Intention is to increase equity base
(A) (i) and (iv) only
(B) (i), (ii) and (iii) only
(C) (ii), (iii) and (iv) only
(D) (i), (ii), (iii) and (iv)

132. The 'cost of equity' for a firm is best described as:
(A) The interest rate the firm pays on debt.
(B) Historical return earned by the stock.
(C) The dividend yield on the company stock.
(D) Required rate of return by equity investors.

133. Which would cause a bond's price to be more sensitive to changes in interest rates?
(A) Shorter maturity and a higher coupon rate.
(B) Shorter maturity and a lower coupon rate.
(C) Longer maturity and a lower coupon rate.
(D) Longer maturity and a higher coupon rate.

134. A firm that is considered a "declining firm" under the Walter and Gordon models has which characteristic?
(A) $r > k$
(B) $r < k$
(C) $r = k$
(D) $b = 1$

135. The main objective of merger negotiations is to:
(A) Ensure the acquirer pays the high price.
(B) Maximize compensation for management.
(C) Complete the deal as quickly as possible.
(D) Arrive at mutually agreeable deal terms.

136. Which factors would likely lead a company to hold a larger amount of working capital?
(i) A highly uncertain business environment
(ii) A long operating cycle
(iii) A conservative management policy
(iv) Easy and inexpensive access to financing
(v) A 'just-in-time' inventory policy
(A) (i), (ii), and (iii)
(B) (ii), (iv), and (v)
(C) (i), (iii), and (iv)
(D) (i), (ii), and (v)

137. Which of the following capital budgeting methods ignores the time value of money?
(A) Net Present Value (NPV)
(B) Internal Rate of Return (IRR)
(C) Payback Period
(D) Profitability Index (PI)

138. The part of a firm's risk that can be eliminated by holding a diversified portfolio is known as:
(A) Unsystematic Risk
(B) Systematic Risk
(C) Market Risk
(D) Non-diversifiable Risk

139. An option premium consists of which two components?
(A) Spot value and strike value
(B) Historical value and future value
(C) Market value and book value
(D) Intrinsic value and time value

140. A company has credit sales of ₹36,50,000 and average receivables are ₹5,00,000. What is its collection period? (365 days)
(A) 36.5 days
(B) 50 days
(C) 7.3 days
(D) 45 days

141. The rate at which one currency can be exchanged for another for future delivery is the:
(A) Spot rate
(B) Real exchange rate
(C) Forward rate
(D) Nominal exchange rate

142. A "defensive" merger is one where:
(A) Acquires competitor to increase share.
(B) Two firms in unrelated industries merge.
(C) Large firm acquires startup technology.
(D) Acquires to protect from hostile takeover.

143. Based on the statements given below, choose the correct option.
Statement I: The writer of a call option benefits if the stock price goes up significantly.
Statement II: The buyer of a put option benefits

Downloaded from www.pdf.tube

218. Based on the statements given below, choose the correct option.
Statement I: A 'naked' call is when an investor writes a call without owning the stock.
Statement II: A 'covered' call is when an investor writes a call while owning the stock.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

219. The length of time between payment for materials and collection from sales is:
(A) Payables deferral period
(B) Inventory conversion period
(C) Receivables collection period
(D) Cash conversion cycle

220. Match the Corporate Action (List I) with its Description (List II):
List I
P. Spin-off
Q. Divestiture
R. Split-up
S. Equity Carve-out
List II
1. Sale of part of firm to outside party.
2. Parent firm ceases to exist.
3. New company, shares to current holders.
4. Sale of subsidiary equity to public.
(A) P-1, Q-3, R-2, S-4
(B) P-3, Q-1, R-4, S-2
(C) P-3, Q-1, R-2, S-4
(D) P-2, Q-4, R-1, S-3

221. A risk-averse investor choosing between two investments with same return prefers:
(A) The lower risk.
(B) The higher risk.
(C) The longer maturity.
(D) The higher beta.

222. When NPV and IRR give conflicting rankings, which method should be preferred?
(A) IRR, as percentage return measure.
(B) NPV, linked to wealth maximization.
(C) Payback Period, measures liquidity.
(D) Either can be used interchangeably.

223. The M&M dividend irrelevance argument is based on the concept of:
(A) Agency costs
(B) Asymmetric information
(C) Homemade dividends
(D) Tax clienteles

224. Which of the following best describes 'value creation' in an acquisition?
(A) Stock price increases at announcement.
(B) Combined value exceeds the sum of parts.
(C) Firm has higher EPS than pre-merger.
(D) Shareholders receive a large premium.

225. Assertion (A): In an efficient foreign exchange market, arbitrage is eliminated.
Reason (R): Arbitrageurs buy cheap and sell expensive, driving prices to converge.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

NODIA

226. An option is 'at-the-money' when:
(A) Stock price is equal to strike price.
(B) Price is much higher than strike.
(C) Price is much lower than strike.
(D) The option has no time value.

227. An aggressive strategy involves financing permanent current assets with:
(A) Long-term debt
(B) Equity
(C) Short-term financing
(D) Retained earnings

228. Which of the following factors does NOT directly affect the valuation of a bond?
(A) Coupon rate
(B) Required rate of return (YTM)
(C) Time to maturity
(D) Company's earnings per share

229. A 'management buyout' (MBO) is a specific type of:
(A) Hostile takeover
(B) Conglomerate merger
(C) Leveraged buyout (LBO)
(D) Spin-off

230. The "bird-in-hand" theory suggests that shareholders prefer:
(A) Capital gains over dividends (tax).
(B) Dividends over uncertain future gains.
(C) Firm to retain all earnings for growth.
(D) Policy that is irrelevant to firm value.

231. Which of the following are key differences between forward and futures contracts?
(i) Forwards customized, futures standardized.
(ii) Forwards OTC, futures on exchange.
(iii) Futures marked-to-market daily.
(iv) Forward has counterparty risk.
(A) (i), (iii) and (iv) only
(B) (i), (ii) and (iii) only
(C) (ii), (iii) and (iv) only
(D) (i), (ii), (iii) and (iv)

232. The Security Market Line (SML) depicts the relationship between:
(A) Expected return and systematic risk.
(B) Expected return and standard deviation.
(C) Security price and earnings per share.
(D) Portfolio return and number of assets.

233. The Profitability Index (PI) is calculated as:
(A) Outflow / PV of Inflows
(B) Net Present Value / Initial Outflow
(C) PV of Cash Inflows / Initial Outflow
(D) Total Inflows / Initial Outflow

234. In the context of M&A, 'synergy' refers to the potential for the entity to be:
(A) All of the above.
(B) More valuable than the sum of parts.
(C) Less risky due to diversification.
(D) More efficient via economies of scale.

235. The risk of loss arising from adverse movements in foreign exchange rates is:
(A) Transaction risk
(B) Translation risk
(C) Economic risk
(D) Foreign exchange risk

236. Which of the following are valid assumptions of Walter's dividend model?
(i) Infinite life.
(ii) Retained earnings financing only.
(iii) r and k are constant.
(iv) Earnings do not change.
(v) Payout can vary.
(A) (i), (ii), and (iii) only
(B) (i), (ii), (iv), and (v) only
(C) (ii), (iii), and (iv) only
(D) (i), (ii), (iii), and v only

237. The 'stripping' of assets after an LBO refers to:
(A) Selling off parts to pay down debt.
(B) Modernizing the acquired assets.
(C) Using assets as loan collateral.
(D) Hiding the value of the firm's assets.

238. In the Miller-Orr model, the 'Upper Control Limit' (UCL) is when:
(A) Firm should sell securities for cash.
(B) Cash balance is at optimal level.
(C) The firm has run out of liquid cash.
(D) Firm should buy securities for excess.

239. The term 'option pricing' refers to the process of:
(A) Determining fair value premium.
(B) Determining strike price of option.
(C) Calculating payoff at expiration.
(D) Deciding whether to exercise.

240. Which of the following identifies an incorrect statement regarding working capital?
(A) Payables involves deciding when to pay.
(B) Cash goal is to maximize balance.
(C) Inventory balances carrying/ordering.
(D) Receivables involves credit policy.

241. The risk that cannot be eliminated through diversification is:
(A) Unsystematic risk
(B) Systematic risk
(C) Company-specific risk
(D) Asset-specific risk

242. The constant growth model for stock valuation is not appropriate when:
(A) Growth rate (g) > required return (ke).
(B) Growth rate (g) < required return (ke).
(C) The company pays a dividend.
(D) The growth rate is zero.

243. A project with initial investment ₹80,000 generates cash inflows with PV ₹1,00,000. What is the PI?
(A) 0.80
(B) ₹20,000

Click Here to Buy book on Amazon

(C) 1.25
(D) 1.20

244. A takeover defense where the target firm makes a counter-offer to acquire the bidder:
(A) Poison Pill
(B) White Knight
(C) Crown Jewel Defense
(D) Pac-Man Defense

245. According to APT, the expected return on a stock is a function of:
(A) Beta with market portfolio only.
(B) Firm's earnings and dividend growth.
(C) Sensitivity to macroeconomic factors.
(D) Risk-free rate and stock's variance.

246. The writer of a put option has the:
(A) Right to buy underlying asset.
(B) Obligation to buy if exercised.
(C) Right to sell underlying asset.
(D) Obligation to sell if exercised.

247. The primary goal of managing a firm's working capital is to:
(A) Maximize liquidity to avoid insolvency.
(B) Minimize current asset investment.
(C) Ensure assets equal liabilities.
(D) Balance liquidity and profitability.

248. Different tax rates on dividends and capital gains make a firm's dividend policy:
(A) Relevant to investors in tax brackets.
(B) Irrelevant, according to M&M.
(C) A decision made solely by management.
(D) A fixed percentage of earnings.

249. If the forward rate for a currency is higher than its spot rate, the currency trades at a:
(A) Forward discount
(B) Par value
(C) Forward premium
(D) Depreciated value

250. Assertion (A): In working capital management, there is a trade-off between liquidity and profitability.
Reason (R): Holding high levels of current assets increases liquidity but reduces profitability because they earn low return.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.`
(D) A is false but R is true.

Direction : Please read the following source carefully.

The fundamental principle of time preference for money posits that a sum of money is worth more today than the same sum will be at a future date. This preference is driven by factors such as potential earning capacity, inflation, and uncertainty about the future. In finance, this concept is operationalized through the process of discounting, which calculates the present value of future cash flows. The valuation of financial assets, such as bonds and shares, is intrinsically linked to this principle. The value of a bond is determined by discounting its future coupon payments and its maturity value back to the present. Similarly, the valuation of shares involves estimating future dividends or free cash flows that the company is expected to generate and then discounting them using an appropriate discount rate that reflects the asset's risk. Therefore, understanding the time value of money is not merely a theoretical exercise but a practical tool essential for determining the intrinsic worth of any investment that promises future returns. The choice of the discount rate is critical, as a higher rate, reflecting greater perceived risk or opportunity cost, will result in a lower present valuation, and vice-versa. This inverse relationship underscores the sensitivity of asset valuation to market perceptions of risk and time.

Based on the above source, attempt the following five questions.

251. According to the passage, what is the primary reason for the time preference for money?
(A) The certainty of future government regulations.
(B) The potential of money to generate earnings over time.
(C) The decreasing purchasing power due to deflation.
(D) The guaranteed appreciation of financial assets.

NODIA

(B) An unexpected change in the national inflation rate.
(C) The retirement of a company's CEO.
(D) The diversification level of an individual investor's portfolio.

289. What is a key characteristic of the APT framework as described in the source?
(A) It rigidly specifies the exact number and identity of risk factors.
(B) It is less flexible than the CAPM.
(C) It assumes that arbitrage opportunities are common and persistent.
(D) It does not pre-specify the macroeconomic factors, allowing for flexibility.

290. What does the APT imply for portfolio management?
(A) That portfolios should be managed to control exposure to multiple systematic risk factors.
(B) That managing risk involves only diversifying away from market risk.
(C) That investors should ignore macroeconomic factors when building a portfolio.
(D) That creating a risk-free portfolio is the primary goal for all investors.

Direction : Please read the following source carefully.

Derivatives are financial instruments whose value is derived from an underlying asset or group of assets. They are primarily used for hedging risk or for speculation. Among the most common types of derivatives are options, forward contracts, and future contracts. An option gives the holder the right, but not the obligation, to buy (a call option) or sell (a put option) an underlying asset at a predetermined price (the strike price) on or before a specific date. The profit or loss from an option, known as the option payoff, is contingent on the price of the underlying asset relative to the strike price at expiration. Option pricing models, such as the Black-Scholes model, attempt to calculate the fair value of an option by considering variables like the underlying asset's price, strike price, time to expiration, volatility, and risk-free interest rates. In contrast, forward contracts and future contracts are agreements that obligate the parties to transact an asset at a predetermined future date and price. The key difference is that future contracts are standardized and traded on an exchange, which mitigates counterparty risk, whereas forward contracts are private, customizable agreements between two parties.

Based on the above source, attempt the following five questions.

291. What is the defining characteristic of a derivative instrument?
(A) Its value is fixed and does not change over time.
(B) It is a physical asset like gold or real estate.
(C) Its value is based on an underlying asset.
(D) It always represents ownership in a company.

292. The holder of a call option has the:
(A) right, but not the obligation, to buy the underlying asset at a specific price.
(B) obligation to buy the underlying asset at a specific price.
(C) obligation to sell the underlying asset at a specific price.
(D) right, but not the obligation, to sell the underlying asset at a specific price.

293. What is the primary distinction mentioned between future contracts and forward contracts?
(A) Future contracts are for selling assets, while forward contracts are for buying assets.
(B) Forward contracts have a fixed price, while future contracts have a variable price.
(C) Forward contracts are used for speculation, while future contracts are used for hedging.
(D) Future contracts are standardized and exchange-traded, while forward contracts are private and customizable.

294. According to the passage, an option's payoff is dependent on the relationship between which two prices?
(A) The initial purchase price of the option and the risk-free rate.
(B) The underlying asset's price and the option's strike price.
(C) The highest and lowest price of the asset during the option's life.
(D) The price of a forward contract and the price of a future contract.

Downloaded from www.pdf.tube

uncertainty for a specific level of return.
(B) They will always avoid any investment that has risk.
(C) They seek out the highest possible risk for maximum returns.
(D) They are indifferent to the level of risk in their portfolio.

259. What does the passage state is the primary determinant of an asset's required rate of return?
(A) The level of unsystematic risk associated with the asset.
(B) The historical performance of the company.
(C) The non-diversifiable systematic risk.
(D) The total risk, including both systematic and unsystematic components.

260. Which statement best describes the 'expected return' on an investment as per the source?
(A) It is a weighted average of all potential outcomes based on their probabilities.
(B) It is the guaranteed profit an investor will receive.
(C) It is the historical average return of the asset.
(D) It is the highest possible return an investment can generate.

Direction : Please read the following source carefully.

Capital budgeting is the process a business undertakes to evaluate potential major projects or investments. The nature of these investment decisions is strategic, as they often involve large capital outlays and have long-term implications for the firm's future profitability and competitive position. These decisions are critical because they are typically irreversible or costly to reverse, and they shape the firm's operational and strategic direction for years to come. The evaluation of such investments requires a rigorous framework to ensure that capital is allocated to projects that maximize shareholder wealth. Central to this process is the comparison of various evaluation methods. Techniques like the Payback Period, Accounting Rate of Return (ARR), Net Present Value (NPV), and Internal Rate of Return (IRR) are commonly employed. While simpler methods like the payback period focus on liquidity and risk, more sophisticated discounted cash flow (DCF) methods like NPV and IRR are theoretically superior as they account for the time value of money and focus on the entire cash flow stream of the project. The comparison of these methods is crucial, as different techniques can sometimes yield conflicting rankings for mutually exclusive projects, necessitating a clear understanding of each method's strengths and weaknesses.

Based on the above source, attempt the following five questions.

261. What is the primary characteristic of capital budgeting decisions as described in the passage?
(A) They are short-term, tactical decisions with minor financial impact.
(B) They are easily reversible without incurring significant costs.
(C) They are primarily focused on managing daily operational cash flows.
(D) They are strategic, long-term decisions involving substantial capital.

NODIA

262. The passage suggests that discounted cash flow (DCF) methods like NPV and IRR are considered theoretically superior to methods like the payback period primarily because they:
(A) are simpler to calculate and understand.
(B) incorporate the time value of money.
(C) focus only on the initial investment cost.
(D) ignore the project's total profitability.

263. According to the source, why is the evaluation and comparison of capital budgeting methods important?
(A) Because all methods always provide the same project ranking.
(B) Because regulatory bodies mandate the use of all available methods.
(C) Because different methods may lead to conflicting investment decisions.
(D) Because the methods are designed to measure short-term liquidity only.

264. The nature of capital budgeting investments is described as critical mainly due to their:
(A) high frequency and low cost.
(B) short duration and predictable outcomes.
(C) irreducibility and impact on employee morale.
(D) irreversibility and long-term strategic impact.

target firm's management negotiate the terms of the deal, including the price, payment method, and future governance structure. Different forms of acquisition exist, such as a friendly takeover, a hostile takeover, or a Leveraged Buyout (LBO). An LBO is a specific type of acquisition where a significant amount of borrowed money (debt) is used to meet the cost of acquisition. The assets of the company being acquired are often used as collateral for the loans. The ultimate success of any M&A activity is not guaranteed by the deal's completion but is measured by the long-term creation of value for the shareholders of the acquiring firm.

Based on the above source, attempt the following five questions.

276. What is stated as the main objective of engaging in mergers and acquisitions?
(A) To create value for the firm and its shareholders.
(B) To increase the company's employee count.
(C) To liquidate the company's assets.
(D) To reduce the company's market share.

277. The passage describes a Leveraged Buyout (LBO) as an acquisition financed primarily through:
(A) the issuance of new equity shares.
(B) the company's retained earnings.
(C) government grants and subsidies.
(D) a significant amount of debt.

278. In the context of M&A, what typically occurs during the merger negotiations phase?
(A) The post-merger integration plan is fully executed.
(B) The acquirer and target firm agree on the deal's terms.
(C) Synergies are fully realized and measured.
(D) The initial identification of potential targets is conducted.

279. According to the source, which of the following is a way M&A can lead to value creation?
(A) By duplicating business functions and increasing operational costs.
(B) By increasing competition within the same market.
(C) By achieving economies of scale and realizing synergies.
(D) By divesting all profitable divisions of the firm.

280. What does the passage imply about the success of a merger or acquisition?
(A) Success is guaranteed as soon as the deal is officially closed.
(B) Success is measured by the short-term increase in the stock price.
(C) Success is solely dependent on the price paid for the target company.
(D) Success is determined by the long-term value generated post-acquisition.

Direction : Please read the following source carefully.

Portfolio management involves the art and science of selecting and overseeing a group of investments that meet the long-term financial objectives and risk tolerance of an investor. A central challenge in this process is to determine the required rate of return for an asset, which accounts for its risk. The Capital Asset Pricing Model (CAPM) is a widely used model that provides a framework for this purpose. CAPM describes the relationship between systematic risk and expected return for assets, particularly stocks. The model's formula posits that the expected return on an asset is equal to the risk-free rate plus a risk premium. This risk premium is calculated as the asset's beta (a measure of its volatility or systematic risk in relation to the overall market) multiplied by the difference between the expected market return and the risk-free rate. According to CAPM, the only risk that investors should be compensated for is systematic risk, as firm-specific or unsystematic risk can be diversified away by holding a well-diversified portfolio. Therefore, the model provides a simplified yet powerful tool for pricing individual securities and for determining the appropriate discount rate for investment projects.

Based on the above source, attempt the following five questions.

281. What is the primary purpose of the Capital Asset Pricing Model (CAPM) as described in the passage?
(A) To describe the relationship between systematic risk and expected return.
(B) To eliminate all investment risk from a portfolio.

Click Here to Buy book on Amazon

topics in corporate finance, revolving around its impact on firm value. Dividend theories attempt to explain whether the distribution of profits to shareholders affects a company's stock price. One school of thought, exemplified by the dividend irrelevance theory, argues that in a perfect market, a firm's dividend policy has no effect on its value or its cost of capital. According to this view, investors are indifferent between receiving dividends and capital gains resulting from the reinvestment of retained earnings. Conversely, dividend relevance theories posit that dividends do matter. Some argue for a "bird-in-the-hand" theory, suggesting that investors prefer the certainty of a current dividend over the uncertainty of future capital gains. Others point to the signaling effect, where dividend announcements convey information about the firm's future prospects to the market. The determination of the actual dividend payout involves a multitude of practical factors, including the firm's profitability, liquidity position, investment opportunities, access to alternative financing, and legal constraints. Ultimately, management must balance the theoretical considerations with the practical realities of the firm to establish a dividend policy that supports shareholder value and corporate strategy.

Based on the above source, attempt the following five questions.

271. What is the central argument of the dividend irrelevance theory?
(A) That a firm's value is solely determined by its dividend payout ratio.
(B) That investors always prefer capital gains over dividend payments.
(C) That dividend policy does not influence a firm's value in a perfect market.
(D) That high dividend payouts always increase a company's stock price.

272. The "bird-in-the-hand" theory supports dividend relevance by arguing that:
(A) investors are indifferent between current dividends and future capital gains.
(B) investors perceive current, certain dividend payments as less risky than potential future gains.
(C) investors value the uncertainty of future growth more than current payments.
(D) dividend payments signal negative information about a company's future.

273. According to the passage, the 'signaling effect' of dividends suggests that dividend announcements can:
(A) obscure the true financial health of the firm.
(B) only convey information about past performance.
(C) decrease the liquidity position of the company.
(D) communicate management's outlook on the firm's future prospects.

274. Which of the following is mentioned as a practical factor influencing dividend determination?
(A) The firm's available investment opportunities.
(B) The personal preferences of the board of directors.
(C) The dividend policies of international competitors.
(D) The current trend in the stock market index.

275. Based on the passage, what can be inferred about the formulation of a company's dividend policy?
(A) It is a simple decision based on a single, universally accepted theory.
(B) It is primarily dictated by legal constraints, with other factors being secondary.
(C) It involves a trade-off between theoretical models and the firm's practical circumstances.
(D) It is determined exclusively by the desires of investors for current income.

Direction : Please read the following source carefully.

Corporate restructuring through mergers and acquisitions (M&A) is a significant strategic activity aimed at reconfiguring a firm's business portfolio. The primary motivation behind such activities is value creation, which can be achieved through various means such as realizing synergies, achieving economies of scale, enhancing market power, or acquiring unique technologies or capabilities. The process is complex and fraught with challenges, beginning with the identification of a target and culminating in post-merger integration. A critical phase in this process is merger negotiations, where the acquirer and the

Downloaded from www.pdf.tube

252. The process of determining the present value of future cash flows is referred to as:
(A) Discounting
(B) Compounding
(C) Inflating
(D) Appreciating

253. How is the valuation of a bond typically performed according to the source?
(A) By adding all future coupon payments to the current market price.
(B) By forecasting the future market price of the bond based on interest rate trends.
(C) By calculating the present value of its expected future cash flows, including coupons and maturity value.
(D) By assessing the credit rating of the issuing entity alone.

254. What is the relationship between the discount rate and the present valuation of an asset?
(A) A direct relationship, where a higher discount rate leads to a higher present value.
(B) A neutral relationship, where the discount rate does not affect the present value.
(C) A parallel relationship, where both increase or decrease together at the same rate.
(D) An inverse relationship, where a higher discount rate leads to a lower present value.

255. Which of the following can be inferred about the valuation of shares from the passage?
(A) Share valuation is based solely on the historical performance of the company.
(B) The valuation of shares is independent of the time preference for money.
(C) It is a forward-looking process that involves discounting anticipated future earnings or dividends.
(D) Share valuation only considers the tangible assets owned by the firm.

Direction : Please read the following source carefully.

The relationship between risk and returns is a cornerstone of modern financial theory. It posits that for an investor to assume a higher level of risk, they must be compensated with the potential for higher returns. This positive correlation forms the basis of investment decision-making. Risk, in this context, can be defined as the variability or uncertainty of an asset's future returns. It encompasses systematic risk, which affects the entire market, and unsystematic risk, which is specific to an individual asset or company. While unsystematic risk can be mitigated through diversification, systematic risk is non-diversifiable and is the primary determinant of an asset's required rate of return. The expected return on an investment, therefore, is not a guaranteed outcome but a probability-weighted average of all possible returns. Rational investors are generally risk-averse, meaning they prefer lower risk for a given level of return. Consequently, the trade-off between risk and returns dictates the allocation of capital across different asset classes, from low-risk government bonds to high-risk equity shares. The challenge for financial managers and investors lies in quantifying this risk and determining a return that adequately compensates for bearing it.
Based on the above source, attempt the following five questions.

256. What is the fundamental relationship between risk and potential returns as described in the passage?
(A) Higher risk is associated with guaranteed lower returns.
(B) Higher risk is associated with the potential for higher returns.
(C) There is no predictable relationship between risk and returns.
(D) Higher risk is associated with lower potential returns.

257. The passage distinguishes between two types of risk. What is the key difference between systematic and unsystematic risk?
(A) Systematic risk is specific to a company, while unsystematic risk affects the whole market.
(B) Systematic risk is only relevant for bonds, while unsystematic risk is for shares.
(C) Unsystematic risk is predictable, while systematic risk is entirely random.
(D) Unsystematic risk can be reduced through diversification, whereas systematic risk cannot.

258. According to the source, what does the term 'risk-averse' imply about an investor?
(A) They prefer investments with less

NODIA

(C) To guarantee a fixed return on all investments.
(D) To measure the unsystematic risk of a single asset.

282. In the CAPM formula, what does the term 'beta' represent?
(A) The total return of an asset over its lifetime.
(B) The measure of an asset's systematic risk relative to the market.
(C) The risk-free rate of return available in the market.
(D) The amount of unsystematic risk that cannot be diversified.

283. According to CAPM theory, why are investors not compensated for bearing unsystematic risk?
(A) Because unsystematic risk does not affect asset returns.
(B) Because this type of risk can be eliminated through diversification.
(C) Because it is considered a desirable feature of an investment.
(D) Because the model only applies to risk-free assets.

284. The risk premium within the CAPM framework is a function of which two components?
(A) The asset's beta and the expected market risk premium.
(B) The risk-free rate and the historical return of the asset.
(C) The company's dividend yield and its price-to-earnings ratio.
(D) The total market capitalization and the risk-free rate.

285. What is a practical application of CAPM mentioned in the passage?
(A) Forecasting the exact future price of a stock.
(B) Calculating the level of a company's debt.
(C) Determining the appropriate discount rate for investment projects.
(D) Identifying which companies will engage in mergers.

Direction : Please read the following source carefully.

While the Capital Asset Pricing Model (CAPM) provides a foundational, single-factor model for asset pricing, the Arbitrage Pricing Theory (APT) offers a more generalized, multi-factor alternative. Developed as an extension and critique of CAPM, the APT posits that an asset's return is not determined by a single factor (market risk), but can be explained by a variety of macroeconomic factors. These factors could include unexpected changes in inflation, industrial production, risk premiums, and the term structure of interest rates. Unlike CAPM, the APT does not specify what these factors are, providing a more flexible framework that can be adapted to different economic contexts. The core principle of APT is based on the law of one price and the absence of arbitrage opportunities in well-functioning capital markets. It suggests that two portfolios with the same exposure to a set of risk factors must have the same expected return. If a pricing discrepancy exists, arbitrageurs will act to exploit it, thereby restoring equilibrium. Thus, APT provides a different lens for portfolio management, suggesting that constructing portfolios requires managing exposure to multiple sources of systematic risk, not just the overall market risk.

Based on the above source, attempt the following five questions.

286. What is the fundamental difference between the Arbitrage Pricing Theory (APT) and the Capital Asset Pricing Model (CAPM)?
(A) APT is a single-factor model, whereas CAPM is a multi-factor model.
(B) APT is only applicable to bonds, while CAPM is only for stocks.
(C) APT ignores systematic risk, whereas CAPM is based entirely on it.
(D) APT assumes asset returns can be explained by multiple factors, while CAPM uses a single market factor.

287. The Arbitrage Pricing Theory (APT) is built on which core economic principle?
(A) The principle of supply and demand.
(B) The law of diminishing marginal utility.
(C) The absence of arbitrage opportunities in efficient markets.
(D) The theory of comparative advantage.

288. According to the passage, which of the following could be a risk factor in the APT model?
(A) A company's specific product launch failure.

Click Here to Buy book on Amazon

265. What is the ultimate goal of the capital budgeting evaluation process mentioned in the source?
(A) To select projects that maximize shareholder wealth.
(B) To minimize the firm's tax liability.
(C) To undertake the largest number of projects possible.
(D) To ensure the quickest return of the initial investment.

Direction : Please read the following source carefully.

While evaluating investment proposals is central to capital budgeting, a comprehensive analysis must also incorporate the elements of risk and uncertainty. Risk, in this context, refers to situations where the probabilities of future outcomes are known or can be estimated, whereas uncertainty pertains to situations where such probabilities cannot be assigned. A failure to account for these factors can lead to suboptimal investment decisions. Risk and uncertainty analysis in capital budgeting involves techniques that adjust the evaluation process to reflect the variability of expected cash flows. Conventional methods include adjusting the discount rate, where riskier projects are evaluated with a higher rate, or calculating the certainty equivalent of cash flows. More sophisticated techniques involve sensitivity analysis, which examines the impact of changes in key variables (like sales volume or costs) on a project's NPV. Scenario analysis, another tool, evaluates a project's outcome under different possible scenarios (e.g., optimistic, pessimistic, and most likely). By employing these analytical tools, a firm can gain a more robust understanding of a project's potential downsides and upside, moving beyond a single-point estimate of its value and making more informed decisions under conditions of unpredictability.

Based on the above source, attempt the following five questions.

266. How does the passage differentiate between 'risk' and 'uncertainty' in capital budgeting?
(A) Risk involves unknown probabilities, while uncertainty involves known probabilities.
(B) Risk involves estimable probabilities for outcomes, while uncertainty does not.
(C) Risk and uncertainty are used interchangeably to mean the same concept.
(D) Risk applies to short-term projects, while uncertainty applies to long-term projects.

267. What is a conventional method for incorporating risk into capital budgeting analysis as mentioned in the source?
(A) Ignoring future cash flows and focusing only on the initial investment.
(B) Adjusting the discount rate upwards for projects with higher risk.
(C) Using a lower discount rate for projects perceived as riskier.
(D) Assuming all future cash flows are certain to occur.

268. What is the main purpose of conducting sensitivity analysis in capital budgeting?
(A) To assess how the project's value changes with variations in key input variables.
(B) To determine the exact probability of project failure.
(C) To guarantee a positive Net Present Value (NPV) for the project.
(D) To calculate the project's payback period under different interest rates.

269. Scenario analysis, as described in the passage, contributes to capital budgeting by:
(A) eliminating all possible risks associated with an investment.
(B) providing a single, guaranteed forecast of the project's outcome.
(C) evaluating project performance under a range of possible future conditions.
(D) confirming that the most likely scenario is the only one that will occur.

NODIA

270. According to the source, what is a potential consequence of failing to perform risk and uncertainty analysis in capital budgeting?
(A) A guaranteed increase in shareholder wealth.
(B) An overestimation of the project's risk.
(C) A more simplified and faster decision-making process.
(D) The selection of projects that may not be optimal for the firm.

Direction : Please read the following source carefully.

Dividend policy remains one of the most debated

295. Which of the following is listed as a key input in option pricing models?
(A) The credit rating of the option writer.
(B) The historical dividend payments of the underlying asset.
(C) The volatility of the underlying asset.
(D) The number of options traded daily.

Direction : Please read the following source carefully.

Working capital management is a critical area of financial management concerned with the administration of a firm's current assets and current liabilities to ensure smooth operations and maximize profitability. The determinants of a firm's working capital needs are numerous, including the nature of the business, production cycle length, and seasonal demand. Effective management involves balancing the twin goals of liquidity and profitability. This requires careful handling of the components of working capital: cash, inventory, receivables, and payables. Cash management aims to optimize cash levels, ensuring sufficient liquidity for obligations while avoiding idle, non-earning balances. Inventory management seeks to minimize the costs of holding stock while preventing stock-outs that could disrupt production or sales. Receivables management involves setting credit policies and collecting payments from customers efficiently. Payables management deals with optimizing payment schedules to suppliers. A key financing tool related to receivables is factoring, where a firm sells its accounts receivable to a third party (a factor) at a discount. This provides the firm with immediate cash and can shift the burden of collection. The complexity of working capital is heightened in international financial management, where currency fluctuations in the foreign exchange market can significantly impact the value of receivables and payables denominated in foreign currencies.

Based on the above source, attempt the following five questions.

296. What are the two conflicting goals that working capital management seeks to balance?
(A) Growth and stability.
(B) Revenue and market share.
(C) Domestic sales and international sales.
(D) Liquidity and profitability.

297. The practice of selling accounts receivable to a third party at a discount is known as:
(A) Factoring
(B) Payables management
(C) Inventory control
(D) Cash optimization

298. According to the passage, which of the following is a determinant of a firm's working capital requirements?
(A) The company's stock price.
(B) The length of the production cycle.
(C) The number of employees in the finance department.
(D) The interest rate on long-term government bonds.

299. What is the primary objective of inventory management as part of working capital management?
(A) To hold the maximum possible amount of stock at all times.
(B) To minimize holding costs without causing production or sales disruptions.
(C) To eliminate all inventory from the business.
(D) To sell all inventory to a factoring company.

300. How can the foreign exchange market impact international working capital management?
(A) By causing fluctuations in the value of foreign-denominated receivables and payables.
(B) By fixing the value of all currencies permanently.
(C) By eliminating the need for cash management.
(D) By guaranteeing credit to all international customers.

www.nodia.in

Downloaded from www.pdf.tube

ANSWERS

1. (B) The preference for receiving money sooner rather than later.
Time preference for money reflects the concept that individuals value money available today more than the same amount in the future. This principle is fundamental to finance because present funds can be reinvested to generate interest or satisfy immediate consumption needs. Investors generally demand a reward for deferring consumption, which justifies the use of interest rates and discounting in financial valuations for various asset classes.

2. (A) The opportunities for investment to earn a return.
A positive time preference for money arises from the potential to earn a return through various investment opportunities. By having funds available immediately, individuals can deploy capital into productive assets that generate interest, dividends, or capital gains over time. Additionally, the uncertainty of receiving future payments and the erosion of purchasing power due to inflation further reinforce the desire for current liquidity over future receipts.

3. (A) Both Statement I and Statement II are true.
The valuation of any financial asset is conceptually rooted in the calculation of the present value of all expected future cash inflows. This process requires identifying a suitable discount rate that reflects the specific risks associated with the asset. A higher risk profile necessitates a higher required rate of return to compensate investors, ensuring that the current price accurately represents the asset's economic worth.

4. (D) Perpetual bond or consol
A perpetual bond, frequently referred to as a consol, is a unique debt instrument that has no fixed maturity date. Unlike redeemable bonds, the issuer of a perpetual bond is not obligated to repay the principal amount at a specific future time. Instead, the investor receives a continuous stream of interest payments indefinitely, making the valuation dependent solely on the coupon and the discount rate.

NODIA

5. (A) P-4, Q-1, R-2, S-3
Financial valuation depends on specific formulas and parameters for different asset types. The value of a perpetual bond is derived by dividing annual interest by the required rate of return. Similarly, a zero-growth share is valued by dividing dividends by the cost of equity. The required rate of return incorporates both the risk-free rate and a risk premium, while systematic risk is measured using beta.

6. (B) The value of a bond is directly proportional to its maturity period.
Bond prices and market interest rates exhibit an inverse relationship, where rising rates cause existing bond values to fall. However, the sensitivity of a bond's price to interest rate changes is determined by its duration rather than a simple direct proportion to its maturity period. While longer-term bonds are generally more sensitive to rate fluctuations, the actual price movement is complex and non-linear in nature.

7. (D) ₹45.00
The intrinsic value of a share with constant dividend growth is calculated using the Gordon Growth Model. First, the expected next dividend is determined by increasing the current dividend of three rupees by the five percent growth rate. This value is then divided by the difference between the twelve percent cost of equity and the five percent growth rate, resulting in the final share price.

8. (A) Both A and R are true and R is the correct explanation of A.
The Capital Asset Pricing Model serves as a single-factor framework for determining the expected return on a security based on its systematic risk. It posits that unsystematic risk can be eliminated through diversification, leaving only market-wide risks to be priced. Beta is utilized as the primary metric to quantify this systematic risk, illustrating why the model focuses exclusively on the security's sensitivity to market movements.

9. (C) Systematic risk
Systematic risk refers to the volatility inherent in the entire market or market segment rather than a specific company. Factors such as changes in interest rates, inflation, or economic recessions impact all financial assets simultaneously and cannot be mitigated through simple diversification. This type of risk is often called non-diversifiable risk because it stems from external macroeconomic forces that affect the aggregate performance.

10. (A) Product diversification
Corporate restructuring involves making significant changes to a company's financial structure or operations to improve efficiency and value. Mergers involve combining entities, while spin-offs involve creating independent companies from existing divisions. Leveraged buyouts use debt to take a company private. In contrast, product diversification is a marketing and growth strategy focused on expanding the product range rather than altering the fundamental legal or financial entity.

11. (B) (i), (ii) and (iii) only
Capital budgeting involves evaluating long-term investment projects that require substantial financial commitments and significantly impact the firm's future growth. These decisions are often irreversible because the assets involved are specialized and difficult to sell without incurring significant losses. The primary objective is to enhance shareholder wealth over the long run rather than focusing solely on maximizing short-term profits through routine operational and financial activities.

12. (B) Payback Period
The payback period is a traditional capital budgeting technique that calculates the amount of time required for an investment to generate enough cash flow to recover its initial cost. It is a simple measure of liquidity and risk, favoring projects that return capital quickly. While easy to compute, it fails to account for the time value of money or any cash flows occurring after the recovery point.

13. (C) Project A, because NPV directly measures addition to firm value.
When faced with conflicting results from net present value and internal rate of return for mutually exclusive projects, the net present value should be the preferred decision criterion. This is because net present value provides a direct measurement of the absolute increase in shareholder wealth in monetary terms. It assumes intermediate cash flows are reinvested at the cost of capital, which is generally more realistic than other.

14. (A) (i), (iv), and (v)
Investment decisions in capital budgeting are critical because they define a company's long-term growth trajectory and financial risk profile. These decisions involve committing significant funds to projects based on detailed projections of future cash inflows and profitability. Because the assets are often specialized and long-lasting, these choices are difficult to reverse without substantial financial loss, making thorough evaluation essential for maintaining the firm's competitive position.

15. (A) All of the above.
Conflicts between net present value and internal rate of return for mutually exclusive projects typically stem from structural differences between the proposals. Disparities in the initial scale of investment, the timing of expected cash inflows, and the total duration of the projects can lead to divergent rankings. These factors interact with the differing reinvestment rate assumptions inherent in each method, potentially leading to conflicting investment signals.

16. (B) Modigliani-Miller - Irrelevance of Structure
The pair associating Modigliani and Miller with the irrelevance of structure is considered incorrect in certain contexts because their theories evolved to incorporate the impact of corporate taxes. While their initial hypothesis suggested that capital structure does not affect firm value in perfect markets, the introduction of tax shields on interest payments implies that debt can indeed enhance a firm's value, thus making the structure relevant.

Click Here to Buy book on Amazon

17. (B) (i), (iv), (ii), (v), (iii)
A typical merger process begins with the identification of a suitable target company followed by a preliminary valuation to determine an offer price. After the initial offer, the acquirer conducts detailed due diligence to verify the target's financial and operational health. If the results are satisfactory, both parties proceed to a final agreement and regulatory approval, ultimately concluding with the complex task of post-merger integration.

18. (A) Sensitivity Analysis
Sensitivity analysis is a risk evaluation technique used in capital budgeting to determine how changes in a single input variable affect the overall net present value of a project. By holding all other factors constant and varying one component, such as sales volume or material costs, managers can identify which variables have the most significant impact on the project's financial success and adjust their strategies accordingly.

19. (C) The acquisition of another company using a large amount of debt.
A leveraged buyout is a specialized acquisition strategy where a company or a group of investors acquires another firm using a significant amount of borrowed funds. The assets of the target company are frequently used as collateral for the loans, and the cash flows generated by the acquired entity are utilized to service and repay the debt. This approach allows buyers to make large acquisitions with equity.

20. (B) P-3, Q-1, R-4, S-2
Derivative instruments are classified by their trading environments and exercise rights. Forward contracts are private, customized agreements between two parties, whereas futures contracts are standardized and traded on regulated exchanges. Option exercise timing also varies; European options can only be exercised at the point of expiration, while American options offer greater flexibility by allowing exercise at any time throughout the duration of the contract's entire life.

21. (C) Irrelevant to the value of the firm.
The Modigliani-Miller hypothesis posits that in a perfect capital market without taxes or transaction costs, a firm's dividend policy does not influence its total market value. According to this theory, the value of the firm is determined solely by its basic earning power and the risk of its underlying assets. Investors can create their own cash flows through the sale of shares, making dividends ultimately unnecessary.

22. (B) Gordon's Model where $b = 0$
Gordon's Growth Model evaluates the value of a firm based on its dividend payments and growth rate. When the retention ratio is zero, the firm pays out one hundred percent of its earnings as dividends, meaning no profits are reinvested for future growth. In this specific scenario, the growth rate becomes zero, and the model simplifies to the valuation of a perpetuity based on earnings.

23. (D) Historical cost of fixed assets.
Working capital requirements are primarily driven by operational factors such as the nature of the business, the overall scale of operations, and the duration of the operating cycle. These elements dictate the necessary levels of cash, inventory, and receivables. Conversely, the historical cost of fixed assets represents a past long-term investment and does not directly influence the day-to-day liquidity needs or current asset management.

24. (A) 12.4%
The expected return on a stock using the Capital Asset Pricing Model is determined by adding the risk-free rate to the product of the stock's beta and the market risk premium. In this case, the risk premium is calculated as the difference between the eleven percent market return and the four percent risk-free rate. Multiplying this seven percent premium by a beta of one point two yields twelve point four.

25. (A) Both A and R are true and R is the correct explanation of A.
The Arbitrage Pricing Theory is often viewed as a more robust framework than the Capital Asset Pricing Model because it accounts for multiple systematic factors that influence security returns. While the Capital Asset Pricing Model relies exclusively on a single market factor and beta, the multi-factor approach of the Arbitrage Pricing Theory allows for a more comprehensive analysis

NODIA

of various macroeconomic variables, providing a more detailed evaluation.

26. (A) Call Option
A call option is a financial derivative that provides the buyer with the right, but not the legal obligation, to purchase an underlying asset at a predetermined strike price within a specific timeframe. The holder pays a premium for this privilege and typically exercises the option only if the market price exceeds the strike price, allowing for a profit after accounting for the initial premium investment cost.

27. (D) Max (0, Strike Price - Spot Price)
The payoff for the purchaser of a put option is determined by the relationship between the strike price and the market spot price at expiration. If the strike price is higher than the spot price, the holder realizes a gain by exercising the right to sell at the higher price. If the spot price is higher, the option expires worthless, resulting in a zero payoff.

28. (A) Both Statement I and Statement II are true.
Futures and forward contracts are both agreements to trade an asset at a future date, but they operate in different environments. A futures contract is a standardized version of a forward that is traded on a public exchange, which mitigates default risk through clearinghouses. In contrast, forward contracts are private agreements between two parties, making them susceptible to the risk that a counterparty fails.

29. (C) Factoring
Factoring is a financial transaction where a business sells its accounts receivable to a third-party financial institution, known as a factor, at a discount. This process allows the firm to receive immediate cash for its credit sales, thereby improving liquidity and transferring the burden of credit collection to the factor. It is a common short-term financing method used by companies to manage their working capital needs.

30. (D) To maintain an optimal balance between liquidity and profitability.
The core objective of working capital management is to maintain an optimal balance between liquidity and profitability. Excessive investment in current assets ensures high liquidity but reduces overall returns since these assets typically earn little to no interest. Conversely, inadequate working capital can lead to insolvency and operational disruptions. Managers strive to minimize costs while ensuring the firm can meet its short-term obligations and operational needs.

31. (C) (i), (ii) and (iii) only
Walter's Dividend Model is built on several key assumptions, including that the firm is entirely equity-financed and possesses an infinite lifespan. It also assumes that the firm's internal rate of return and the cost of capital remain constant over time. According to this model, dividend policy is relevant because it affects share value depending on the relationship between the internal return on investment and the required return.

NODIA

32. (B) Spot market
The spot market is the financial environment where currencies are traded for immediate delivery and payment, typically within two business days. The exchange rate used for these transactions is known as the spot rate, reflecting the current supply and demand conditions for different currencies. This market is essential for international travelers, importers, and exporters who require foreign currency to settle their immediate commercial and financial obligations.

33. (B) Both (C) and (D) are correct statements.
Systematic risk refers to market-wide fluctuations caused by macroeconomic factors that impact all securities and cannot be eliminated through diversification. In contrast, unsystematic risk is specific to an individual firm or industry and can be mitigated by holding a diverse portfolio of assets. Understanding this distinction is crucial for investors, as the market only provides compensation for bearing systematic risk while unsystematic risk is largely avoidable.

34. (A) 4 years
The payback period for a project is determined by dividing the initial investment amount by the constant annual cash inflows generated by the asset. For a project with a starting cost of one hundred thousand rupees and annual inflows of twenty-five thousand rupees, it takes exactly four years to recover the total outlay. This simple

metric helps managers assess the time required to break even on an investment.

35. (C) Using a higher discount rate for riskier projects.
The risk-adjusted discount rate method is a technique in capital budgeting that incorporates uncertainty by increasing the hurdle rate for riskier projects. By applying a higher discount rate to the expected future cash flows of a high-risk investment, the net present value is reduced. This approach ensures that the project must offer a greater potential return to justify the additional risk compared to more stable alternatives.

36. (D) (i), (ii), (iii), (iv), and (v)
Synergy in a merger arises when the combined entity is more valuable than the sum of its individual parts. Potential sources include operating economies of scale through shared resources, financial synergies that lower the cost of capital, and increased market power. Additionally, acquiring unique technological capabilities or utilizing tax benefits from accumulated losses can significantly enhance the value created through the combination of two different business organizations.

37. (C) ₹8,000
The certainty equivalent method adjusts for risk by multiplying the expected future cash flows by a risk coefficient that represents the degree of certainty. When a cash flow of ten thousand rupees is assigned a coefficient of zero point eight, the resulting risk-adjusted cash flow is eight thousand rupees. This lower value represents the certain amount that an investor would accept as being equivalent to the risky outcome.

38. (B) 0%
According to Gordon's Growth Model, a growth firm is characterized by having an internal rate of return that exceeds its cost of capital. In such cases, the firm can create more value for its shareholders by reinvesting all of its earnings back into profitable projects rather than paying them out as dividends. Therefore, the optimal dividend payout ratio for a growth firm is zero percent to maximize share price.

39. (D) Working capital management
Working capital management involves the strategic oversight and coordination of a firm's current assets and current liabilities. The primary components include the management of cash balances to ensure liquidity, the control of inventory levels to meet production needs without excess costs, and the administration of accounts receivable to optimize collections. Effective management in these areas ensures that the company can meet its short-term obligations and operate efficiently.

40. (A) Enter into a forward contract to sell dollars.
An exporter receiving payment in a foreign currency faces the risk that the value of that currency will decrease before the funds are collected. To hedge against a depreciating dollar, the Indian company can enter into a forward contract to sell dollars at a fixed exchange rate on a future date. This agreement locks in the conversion rate, protecting the firm's rupee revenue from unfavorable market movements.

41. (C) Diversification motive.
John Maynard Keynes identified three primary motives for holding cash: the transaction motive for routine business needs, the precautionary motive for unexpected contingencies, and the speculative motive to take advantage of future interest rate changes or investment opportunities. Diversification is a principle related to portfolio management and risk reduction rather than a specific motive for maintaining cash liquidity as described in classical Keynesian liquidity preference theories.

42. (A) APT allows for multiple factors, while CAPM uses one.
The fundamental distinction between the Arbitrage Pricing Theory and the Capital Asset Pricing Model lies in the number of risk factors used to explain security returns. While the Capital Asset Pricing Model relies on a single market factor and beta, the Arbitrage Pricing Theory allows for multiple macroeconomic variables to influence asset prices. This multi-factor approach provides a more flexible and comprehensive framework for analyzing returns.

Downloaded from www.pdf.tube

43. (D) Strike price or Exercise price
The strike price, also known as the exercise price, is a fixed value specified in an option contract at which the underlying asset can be bought or sold. For a call option, it is the price the holder pays to buy the asset, whereas for a put option, it is the price the holder receives for selling it. This price remains constant regardless of fluctuations in market.

44. (B) Hostile takeover
A hostile takeover occurs when an acquiring company attempts to take control of a target firm despite opposition from the target's board of directors or management team. Unlike friendly mergers, where both parties agree to the terms, a hostile bidder may appeal directly to the target's shareholders through a tender offer or engage in a proxy fight to replace the existing management and gain corporate control.

45. (A) P-4, Q-3, R-1, S-2
Working capital management utilizes various models and techniques to optimize operations. Factoring with recourse means the selling firm remains liable for any bad debts. The Baumol Model is used to determine the optimal cash balance by balancing transaction costs and opportunity costs. ABC Analysis is an inventory control method that categorizes items based on value, while the credit period is a key component of policy.

46. (D) Zero NPV means the return equals the discount rate.
Net present value represents the total monetary value added to a firm by an investment after accounting for the time value of money. When a project's net present value is zero, it indicates that the expected cash inflows are exactly sufficient to recover the initial investment and provide the required rate of return. In this state, the project's internal rate of return is equal to the discount.

47. (A) Due diligence
Due diligence is a comprehensive and systematic investigation process performed by an acquiring company to evaluate a potential target's financial health, operational capabilities, and legal standing. This critical step aims to uncover hidden liabilities, verify the accuracy of financial statements, and assess the strategic fit of the merger. By conducting thorough due diligence, the acquirer can mitigate risks and make more informed decisions during negotiations.

48. (B) The stock has the same systematic risk as the market.
A stock's beta measures its sensitivity to market-wide movements, with the overall market portfolio having a beta of exactly one. If a specific company's stock also has a beta of one, it indicates that its price tends to move in sync with the market average. This means the stock carries the same level of systematic risk as the broader market, making it neither more nor less.

49. (B) The value of the option at its expiration.
The payoff of an option refers to its actual financial value at the specific moment of expiration, based on the difference between the strike price and the market price of the underlying asset. It does not account for the initial premium paid to acquire the contract. For the holder, the payoff is always non-negative, representing either the profit from exercise or zero if not exercised.

50. (A) Both A and R are true and R is the correct explanation of A.
The net present value method is generally considered superior to the internal rate of return for ranking projects because it assumes that intermediate cash flows are reinvested at the firm's cost of capital. This is typically a more realistic assumption than the internal rate of return's premise that cash flows are reinvested at the project's own return rate. Consequently, net present value provides a more accurate assessment.

51. (C) Facilitate the conversion of one currency into another.
The foreign exchange market serves as the global infrastructure for converting one national currency into another, which is essential for international trade and investment. By facilitating these exchanges, the market allows businesses and individuals to settle cross-border transactions and manage international portfolios. In addition to currency conversion, the market also provides mechanisms for hedging against exchange rate risks and providing credit for international commerce transactions.

NODIA

52. (D) The factor (the financial institution).
In a factoring arrangement without recourse, the financial institution or factor assumes the entire credit risk associated with the purchased accounts receivable. If a customer fails to pay their invoice due to financial insolvency or default, the factor bears the resulting loss rather than the selling firm. Because the factor takes on this additional risk, they typically charge higher fees for this type of comprehensive factoring service.

53. (C) Statement I is false, but Statement II is true.
A call option gives the holder the right to purchase an asset, not sell it, which makes the first statement incorrect. Conversely, the writer of a put option has a legal obligation to buy the underlying asset at the strike price if the holder decides to exercise their right. This occurs typically when the market price falls below the strike price, forcing the writer to pay the price.

54. (B) Implicit cost of payables management.
When a firm fails to take advantage of a cash discount offered by a supplier for early payment, it incurs an implicit cost associated with trade credit. This cost represents the effective interest rate the firm pays for using the supplier's funds for an extended period. Although it is not an out-of-pocket cash expense, it is a significant financial consideration that impacts the overall efficiency of operations.

55. (A) The relationship between rate of return (r) and cost (k).
The dividend models developed by Walter and Gordon emphasize that the relationship between a firm's internal rate of return and its cost of capital is the most critical determinant of value. If the return on investment exceeds the required return, the firm should retain earnings to maximize shareholder wealth. Conversely, if the return is lower than the cost of capital, the firm should distribute its earnings.

56. (B) (i), (ii) and (iii) only
The amount of working capital required by a firm is influenced by several operational factors, including its credit policy, the length of its production cycle, and the availability of raw materials. A lenient credit policy or a long production process typically necessitates higher levels of current assets to sustain operations. While current assets are vital, the book value of long-term fixed assets does not directly influence liquidity.

57. (C) Operating risk or Business risk
Operating risk, also referred to as business risk, arises from the variability of a firm's earnings before interest and taxes. This risk is largely driven by the firm's cost structure, specifically its level of fixed operating costs such as rent and salaries. If a company has high fixed costs, even small fluctuations in sales can lead to significant changes in operating income, potentially making it vulnerable.

58. (A) Elimination of counterparty (default) risk.
The primary advantage of futures contracts over forward contracts is the elimination of counterparty default risk through the use of a clearinghouse. Futures exchanges act as intermediaries that guarantee the performance of every contract, requiring daily marking-to-market and margin payments. This centralized system provides a higher level of financial security compared to private forward agreements, where the buyer and seller are directly exposed to default.

59. (D) Spin-off
A spin-off is a type of corporate divestiture where a parent company creates a new, independent legal entity by distributing shares of a specific business unit or division to its existing shareholders. Following the transaction, the new company operates separately with its own management and board of directors, and the original shareholders now own shares in two distinct firms. This action is often taken to unlock value.

60. (B) Constant-growth model (Gordon's model)
The constant-growth model, commonly known as Gordon's model, is a method used to value the shares of a company by assuming that dividends will grow at a steady rate indefinitely. This approach simplifies the valuation of equity by dividing the expected next dividend by the difference between the required rate of return and the constant growth rate. It is most applicable to mature firms with stable growth.

Click Here to Buy book on Amazon

61. (D) (i), (ii), (iii), (iv), and (v)
The price of an option contract is determined by several interrelated factors, including the current price of the underlying asset and the specified strike price. Additionally, the time remaining until the contract expires and the volatility of the underlying asset significantly influence the premium. Finally, the risk-free interest rate also plays a role in the valuation process, as it affects the present value of the exercise price.

62. (D) Equal to zero
The internal rate of return is a critical metric in capital budgeting that represents the specific discount rate at which the net present value of all cash flows from a project equals zero. In other words, it is the rate where the present value of expected cash inflows exactly matches the initial investment outlay. A project is typically considered financially viable if its internal rate of return exceeds the cost.

63. (A) Unsystematic risk
Diversification is a risk management strategy that involves spreading investments across various assets to reduce the impact of any single security's performance. It is most effective at minimizing unsystematic risk, which is the risk specific to an individual company or industry. However, diversification cannot eliminate systematic risk, which stems from broader economic factors that affect the entire market and all securities within the financial system.

64. (B) ₹3,000
The annual depreciation tax shield is calculated by multiplying the annual depreciation expense by the company's corporate tax rate. For an investment of fifty thousand rupees with a five-year life using straight-line depreciation, the yearly expense is ten thousand rupees. When this amount is multiplied by the thirty percent tax rate, it results in a three thousand rupee reduction in tax liability, enhancing the cash flow.

65. (A) (ii), (iv), (iii), (i)
Capital budgeting techniques vary in their complexity and theoretical soundness. The payback period is the simplest as it ignores the time value of money, followed by the accounting rate of return which uses profits instead of cash flows. The internal rate of return is more sophisticated by incorporating discounting, while net present value is generally considered the most robust method because it directly measures wealth creation potential.

66. (A) Unsystematic risk is priced by the market.
A fundamental assumption of the Capital Asset Pricing Model is that investors are rational and hold well-diversified portfolios, thereby eliminating all unsystematic risk. Consequently, the market does not provide any compensation or price for bearing firm-specific risk. Instead, returns are determined solely by the systematic risk that cannot be diversified away, represented by beta. Other assumptions include frictionless markets and the ability to borrow freely.

67. (C) A customized agreement between two parties.
A forward contract is a private and highly flexible financial agreement between two parties to buy or sell a specific asset at a predetermined price on a future date. Unlike futures contracts, which are standardized and traded on public exchanges, forward contracts can be tailored to meet the specific needs of the participants regarding the quantity, quality, and exact delivery date of the underlying currency asset.

68. (D) The value of the call option increases.
The value of a call option exhibits a direct relationship with the price of the underlying stock. When the stock price increases while all other factors remain constant, the probability that the option will finish in-the-money also rises, making the right to buy at a lower strike price more valuable. Therefore, an upward movement in the asset's market price will lead to an increase.

69. (C) Combined value is greater than the sum.
The principle of value creation in mergers and acquisitions suggests that a combination is only financially justified if it generates synergy. This means the market value of the merged firm must exceed the combined separate values of the acquirer and the target before the merger. If the transaction does not result in this incremental value, it may not be in the best interest of shareholders.

NQDIA

70. (B) P-2, Q-4, R-1, S-3
Different risk analysis techniques utilize unique methodologies to evaluate project uncertainty. Sensitivity analysis involves changing one input variable at a time to observe its effect, while scenario analysis considers multiple changes simultaneously. The certainty equivalent method adjusts future cash flows to their risk-free equivalents. Finally, the risk-adjusted discount rate method incorporates risk by applying a higher hurdle rate to the expected cash flows of riskier projects.

71. (D) Gordon's Dividend Relevance Theory
The bird-in-hand argument is a central component of Gordon's dividend relevance theory, suggesting that investors prefer the certainty of current dividend payments over the potential for future capital gains. This preference arises from the belief that future returns are inherently more risky and uncertain than immediate cash distributions. Consequently, firms that pay higher dividends may be valued more highly by investors who seek to minimize their uncertainty.

72. (A) Residual dividend policy
A residual dividend policy is an approach where a firm prioritizes its capital budgeting needs by financing all profitable investment opportunities using retained earnings first. Dividends are only paid out to shareholders if there are funds remaining after all necessary capital expenditures have been covered. Under this strategy, the dividend amount can fluctuate significantly from year to year, depending on the availability of profitable projects and income.

73. (C) Manage cash flows that fluctuate randomly.
The Miller-Orr model is a sophisticated cash management framework designed for companies whose daily cash flows fluctuate in an unpredictable or random manner. Unlike models that assume certainty, this approach establishes upper and lower control limits to trigger the purchase or sale of marketable securities. By maintaining cash within these boundaries, the firm can minimize the total costs of holding cash while ensuring liquidity.

74. (A) Cash discount
A cash discount is a common receivables management incentive where a company offers customers a reduction in the total invoice price if payment is made within a specific, short period. This practice aims to accelerate cash inflows, reduce the average collection period, and minimize the risk of bad debts. While it reduces the total revenue per sale, the improved liquidity and reduced financing costs often justify.

75. (A) Both A and R are true and R is the correct explanation of A.
Factoring without recourse is typically more expensive for a business than factoring with recourse because the factor assumes all credit risks. If a customer defaults, the factor loses the entire value of the invoice, whereas in a recourse arrangement, the factor can claim the amount back from the firm. The higher fee compensates the financial institution for providing this insurance against potential bad debt losses.

76. (B) Forward premium or discount
The difference between the current spot exchange rate and the forward exchange rate for a currency is referred to as a forward premium or discount. If the forward rate is higher than the spot rate, the currency is said to be trading at a premium, indicating expectations of future appreciation. Conversely, a lower forward rate represents a discount, suggesting that the currency is expected to depreciate.

77. (C) A zero or negative payoff
An option is described as being out-of-the-money when its immediate exercise would result in a financial loss or no gain compared to the current market price of the underlying asset. For a call option, this occurs when the market price is lower than the strike price. For a put option, it means the market price is higher than the strike price. In such cases, the exercise.

78. (D) Perfect positive correlation provides max benefits.
Diversification provides the greatest risk reduction benefits when the assets within a portfolio have a low or negative correlation with each other. If assets are perfectly positively correlated, they move in the exact same direction and magnitude, providing no risk reduction

Downloaded from www.pdf.tube

benefit at all. The primary goal of portfolio management is to optimize the trade-off between risk and return by selecting assets that vary.

79. (A) Systematic risk and unsystematic risk
The total risk of a security is composed of two distinct parts: systematic risk and unsystematic risk. Systematic risk is the volatility that affects the entire market and cannot be diversified away, while unsystematic risk is unique to a specific company or industry. By combining different assets in a portfolio, an investor can virtually eliminate the unsystematic portion of risk, leaving only the market-wide fluctuations.

80. (B) In spin-offs the parent firm exists.
Spin-offs and split-ups are both forms of corporate divestiture, but they differ in the fate of the parent company. In a spin-off, the parent firm continues to exist as a separate entity after creating a new independent company and distributing its shares. In contrast, a split-up involves dividing the entire company into two or more independent firms, after which the original parent corporation ceases to exist.

81. (B) (i), (ii) and (iii) only
The payback period method is a simple capital budgeting tool used to determine the time required to recover an initial investment. It is highly valued for its ease of understanding but has significant theoretical flaws, such as ignoring the time value of money and all cash flows occurring after the recovery point. Despite these limitations, it remains popular among managers as a preliminary screening tool.

82. (A) Capital Asset Pricing Model (CAPM)
The Security Market Line is a graphical representation of the Capital Asset Pricing Model, illustrating the relationship between the expected return of a security and its systematic risk, as measured by beta. The line starts at the risk-free rate on the vertical axis and rises as beta increases, showing that investors require higher returns for taking on greater market-wide risk. It serves as a benchmark.

83. (C) PV of future interest and redemption value.
The total value of a redeemable bond is determined by calculating the present value of all its expected future cash flows. This includes the periodic interest payments, or coupons, made throughout the life of the bond, as well as the final lump-sum principal payment received at maturity. By discounting these amounts at the investor's required rate of return, the current fair market price is determined accurately.

84. (D) The collection of cash from receivables.
The operating cycle of a firm represents the time elapsed between the initial purchase of raw materials and the final collection of cash from the sale of finished goods. It encompasses the production period, the inventory holding time, and the accounts receivable collection period. Understanding the length of this cycle is vital for working capital management, as a longer cycle typically requires a larger investment in liquidity.

85. (C) Leveraged Buyout
Defense mechanisms are strategies used by target firms to prevent unwanted hostile takeovers. Common tactics include the "poison pill" to dilute the bidder's stake and the "white knight" search for a friendly acquirer. "Golden parachutes" provide large payouts to executives upon a change in control. In contrast, a leveraged buyout is an acquisition technique using high debt and is not typically used as defensive.

86. (C) (i), (ii), (iii), and (v)
Derivatives are versatile financial instruments with varying characteristics. Futures contracts are standardized and undergo daily marking-to-market on exchanges, while forward contracts are private, customized agreements. In the options market, the writer of a call option faces limited profit but significant risk, whereas the buyer holds a right rather than an obligation. Understanding these distinctions is essential for effective risk management and strategic trading activities.

87. (D) The project's NPV is positive.
The profitability index is calculated by dividing the present value of a project's future cash inflows by its initial investment outlay. A profitability index greater than one indicates that the present value of the inflows exceeds the cost, which inherently means the project has a positive net present value. This ratio helps managers compare the relative profitability of different projects, especially when capital is limited.

NODIA

secure various regulatory approvals before the merger can be integrated.

162. (A) Direct measure of shareholder wealth contribution.
The principal advantage of using net present value to evaluate mutually exclusive projects is that it provide a direct monetary measurement of the expected increase in shareholder wealth. Unlike the internal rate of return, which can provide conflicting signals for projects of different scales, net present value consistently identifies the option that adds the most value in absolute terms, making it theoretically superior tool.

163. (C) Return in excess of the risk-free rate.
A risk premium is the additional return that an investor requires to hold a risky asset instead of a risk-free one, such as a government bond. It is calculated as the difference between the expected return on the risky security and the risk-free rate of return. This premium compensates investors for enduring the uncertainty and potential volatility associated with the risky investment asset.

164. (D) Use of debt to finance acquisition
The defining characteristic of a leveraged buyout is the use of a significant amount of borrowed funds to finance the acquisition of a company. The acquirer uses the assets of the target firm as collateral for the loans and relies on the target's future cash flows to service and eventually repay the debt. This approach allows investors to make large acquisitions with minimal equity.

165. (A) (iii), (ii), (i), (iv)
The operating cycle of a firm follows a logical sequence of events that begins with the procurement of raw materials from suppliers. These materials are then converted into finished goods during the production process. Once completed, the goods are sold to customers, creating accounts receivable. The cycle concludes with the final collection of cash from these receivables, allowing the firm to pay suppliers.

166. (B) Sell asset at strike on expiration.
A European put option provides the holder with the specific right to sell the underlying asset at a predetermined strike price, but only on the contract's expiration date. Unlike American options, which offer the flexibility of early exercise, European options must be held until maturity to be exercised. This right is typically utilized if the market price of the asset falls below strike price.

167. (D) How much earnings to retain vs payout.
A firm's dividend policy is primarily a strategic decision regarding the proportion of its earnings that should be distributed to shareholders as cash dividends versus the amount that should be retained for reinvestment in the business. This decision is critical because it directly impacts the firm's future growth potential, its cost of capital, and the overall market value of its common equity shares.

168. (A) Both Statement I and Statement II are true.
Systematic risk is caused by broad macroeconomic factors that affect all securities in the market, making it impossible to eliminate through diversification. In contrast, unsystematic risk is unique to a specific company or industry and can be significantly reduced by holding a diverse portfolio of assets. Understanding these two types of risk is fundamental for investors as they build portfolios to manage return.

169. (C) Conditions
The 5 Cs of Credit is a widely used framework for assessing the creditworthiness of potential customers. The components include Character, which refers to the customer's reputation; Capacity, their ability to repay; Capital, their financial net worth; Collateral, the assets offered as security; and Conditions, which involves analyzing the impact of general economic trends or specific industry factors on the customer's financial health.

170. (C) P-3, Q-4, R-1, S-2
Financial management utilizes several distinct models to address various challenges. The Markowitz model is foundational for portfolio diversification and risk reduction. For valuing financial options, the Black-Scholes model is the standard framework. Walter's model provides insights into the relevance of dividend policy based on investment returns, while the certainty equivalent method is a key tool for capital budgeting decisions under high uncertainty.

Click Here to Buy book on Amazon

97. (B) At any time up to and including expiration.
An American option is a type of derivative contract that provides the holder with the flexibility to exercise their rights at any point during the life of the option, up to and including the expiration date. This distinguishes it from European options, which can only be exercised at the final moment of expiration. This additional flexibility makes American options generally more valuable than their counterparts.

98. (A) Achieve an optimal trade-off between risk and return.
The fundamental purpose of portfolio management is to construct and maintain a collection of investments that achieves the best possible balance between expected returns and the level of risk. By diversifying across different asset classes and industries, investors can reduce unnecessary risks while aiming for a specific financial goal. The process involves continuous monitoring and rebalancing to ensure the portfolio remains aligned with objectives.

99. (C) Serve as a spontaneous source of financing.
Delaying payments to suppliers, within reasonable limits, can serve as a spontaneous source of short-term financing for a firm. By utilizing accounts payable effectively, a company can maintain its cash levels for other operational needs without having to secure formal loans or issue additional equity. However, excessive delays can damage the firm's reputation and its relationship with suppliers, potentially leading to less favorable terms.

100. (A) Both A and R are true and R is the correct explanation of A.
For a declining firm where the internal rate of return is less than the cost of capital, reinvesting earnings is inefficient as it yields less than what investors could earn elsewhere. Consequently, a higher dividend payout ratio increases the market price of the shares because investors prefer immediate cash distributions over low-return internal growth. This highlights the importance of the relationship between internal returns and cost.

101. (C) Internal rate of return on a bond.
The yield to maturity is a critical metric for bond investors, representing the total annual return expected if the bond is held until its final maturity date. It is essentially the internal rate of return of the bond, as it equates the present value of all future coupon payments and the final principal repayment with the current market price. This comprehensive measure accounts for all cash flows.

102. (B) Higher risk leads to higher expected returns.
In the world of finance, there is a fundamental relationship between risk and return, where investors generally require higher expected returns to compensate for taking on greater levels of uncertainty. This risk-return trade-off means that low-risk investments, such as government bonds, typically offer lower yields, while high-risk assets, like common stocks, must offer the potential for higher gains to attract capital from investors.

103. (D) Positive
When a project's internal rate of return exceeds the firm's cost of capital, it indicates that the investment is generating a return greater than the minimum required rate. In this situation, the present value of the expected future cash inflows will be higher than the initial investment outlay, resulting in a positive net present value. Projects with a positive net present value are acceptable.

104. (A) Acquisition of control of one firm by another.
A takeover in corporate finance is a transaction where one company, the acquirer, obtains a controlling interest in another company, the target. This can be achieved through a friendly merger agreement or a hostile tender offer to shareholders. Once control is established, the acquirer can make significant changes to the target's management, strategy, and operations, aiming to create additional value through synergies or efficiency.

105. (C) Merger creates a new legal entity.
The primary distinction between a merger and an acquisition lies in the legal structure of the resulting organization. In a typical merger, two companies of relatively equal size join together to create a brand-new legal entity, with the original firms ceasing to exist as separate corporations. An acquisition occurs when one company buys another and absorbs it into its existing structure, with the target.

Downloaded from www.pdf.tube

88. (A) Not affect the value of the share.
Walter's model posits that if a firm's internal rate of return is exactly equal to the cost of capital, the dividend payout ratio becomes irrelevant to the market value of the share. In this scenario, the firm earns the same return on its reinvested earnings as the shareholders would expect from alternative investments. Therefore, whether the firm pays dividends or retains its profits, shareholder wealth.

89. (C) Statement I is false, but Statement II is true.
The foreign exchange market is not a physical location with a central trading floor but rather a global, decentralized network of banks, corporations, and brokers connected electronically. This electronic market operates twenty-four hours a day, facilitating currency transactions across different time zones. Major participants include commercial banks, central banks, and large multinational corporations, all of whom contribute to the high liquidity and continuous operations.

90. (A) 2 + 2 = 5
In the context of mergers and acquisitions, synergy represents the incremental value created when two companies combine their operations. It is often colloquially expressed by the equation two plus two equals five, indicating that the combined entity is more valuable than the simple sum of the two separate parts. This extra value can result from cost savings, increased revenues, or financial efficiencies that were achieved.

91. (D) 5 Cs of Credit - Credit Evaluation
Working capital management involves various specific models for different asset categories. The 5 Cs of Credit—Character, Capacity, Capital, Collateral, and Conditions—is a fundamental framework used for evaluating the creditworthiness of customers. In contrast, the Baumol Model and ABC Analysis are used for cash and inventory management, respectively, while the Miller-Orr Model is also a cash management tool. Therefore, this pairing is appropriate.

92. (B) Divestiture
Divestiture is a form of corporate restructuring that involves the sale of a business unit, division, or subsidiary to another company or an outside party. This strategy is often used to exit non-core business areas, raise capital for other projects, or improve the overall strategic focus of the parent company. Unlike a spin-off, which distributes shares to current owners, a divestiture typically results in cash.

93. (C) Unlimited profit, limited loss.
An investor holding a long position in a call option has the potential for unlimited profit as the underlying asset's market price rises above the strike price. However, the risk is strictly limited to the initial premium paid for the contract. If the asset price falls below the strike price at expiration, the holder simply allows the option to expire worthless, resulting in the premium loss.

NODIA

94. (D) A premium
When a bond's coupon rate is higher than the prevailing market interest rate, the bond becomes more attractive to investors because it offers superior interest payments compared to newly issued debt. To compensate for this higher yield, the market price of the bond increases above its face value, meaning the bond sells at a premium. This adjustment ensures that the bond's effective yield aligns with market.

95. (B) P-3, Q-1, R-4, S-2
Different financial scholars have proposed various theories regarding the relevance of dividend policy. Modigliani and Miller argued that dividends are irrelevant in perfect markets. Myron Gordon is associated with the bird-in-hand theory, which suggests dividends are preferred for their certainty. Ezra Solomon contributed to the residual theory, while James Walter developed a model emphasizing the relationship between internal returns and the cost of capital returns.

96. (B) When assets are perfectly positively correlated.
Diversification relies on the principle that combining assets with different performance patterns reduces overall portfolio risk. However, if two assets are perfectly positively correlated, they move in identical directions and magnitudes at the same time. In this specific scenario, combining them does not provide any risk reduction benefits because the portfolio's volatility will be a simple weighted average of the individual assets' risks, failing.

the contract, the market price of the underlying asset fluctuates, affecting the value of the position. Upon reaching the expiration date, the contract matures, leading to the final stage where the transaction is settled, either through physical delivery or cash settlement.

116. (D) Counterparty risk
Counterparty risk is the probability that the other party involved in a financial transaction will fail to fulfill its contractual obligations, such as making a payment or delivering an asset. This risk is especially prevalent in private, over-the-counter agreements like forward contracts, where there is no central clearinghouse to guarantee performance. Effective risk management involves assessing the creditworthiness of counterparties and using collateral.

117. (C) Return on Investment (ROI)
While return on investment is a popular metric for evaluating general financial performance, it is typically not considered a formal capital budgeting evaluation method in the same class as net present value or the internal rate of return. Traditional capital budgeting techniques focus specifically on analyzing expected future cash flows and the time value of money to determine the long-term feasibility and wealth-creating potential of assets.

118. (B) Replacement decision
A replacement decision in capital budgeting involves evaluating whether to retire an existing asset and replace it with a newer, more efficient model. This type of analysis requires comparing the expected cash flows from the current machine with those of the potential replacement, accounting for differences in operating costs, maintenance expenses, and any disposal value. These decisions are crucial for maintaining operational efficiency today.

119. (D) To earn higher return, accept higher risk.
The risk-return trade-off is a foundational concept in finance stating that the potential for higher investment returns is invariably linked to a greater level of risk. Investors who seek superior gains must be willing to endure more significant price volatility and the possibility of loss. This principle guides investment choices, as individuals and institutions must decide how much risk they can reasonably tolerate.

120. (C) P-3, Q-2, R-1, S-4
Various terms in corporate finance describe specific activities and phenomena. Synergy refers to the incremental value created when the combined worth of two firms exceeds their individual sums. Due diligence is the systematic investigation of a target company's business and finances. A leveraged buyout is an acquisition largely financed through debt, while a hostile takeover is an attempt to gain control that is resisted.

121. (C) D1 / ke
The valuation of a share with zero expected growth in dividends is calculated as a perpetuity. Because the dividend is assumed to remain constant forever, the current value of the share is simply the expected next dividend divided by the investor's required rate of return. This model is often used for preferred stocks or mature companies that distribute a stable portion of their earnings.

122. (A) It is based on arbitragers eliminating mispricing.
The Arbitrage Pricing Theory is founded on the principle that in an efficient market, any mispricing of securities will be quickly identified and eliminated by rational arbitrageurs. These investors buy undervalued assets and sell overvalued ones, driving prices back to their fair equilibrium values based on various risk factors. Unlike the Capital Asset Pricing Model, the Arbitrage Pricing Theory does not require strict assumptions.

123. (D) Asset stripping
Asset stripping is a controversial practice that sometimes occurs following a leveraged buyout, where the acquiring party sells off the target company's valuable assets piecemeal. The proceeds from these sales are typically used to pay down the massive debt incurred during the acquisition. While it can generate immediate cash, asset stripping often leaves the remaining company with fewer resources and potentially diminished long-term value.

Click Here to Buy book on Amazon

106. (B) (i), (ii) and (iii) only
Risk in an investment portfolio is categorized into systematic and unsystematic components. Unsystematic risk is firm-specific and can be mitigated through effective diversification. Systematic risk, or market risk, is inherent to the entire economy and cannot be avoided. A well-diversified portfolio has negligible unsystematic risk, leaving only market exposure. While beta is a measure of risk, it quantifies systematic risk rather than unsystematic.

107. (D) Premium - Max (0, Strike Price - Spot Price)
The writer or seller of a put option receives an upfront premium in exchange for taking on the obligation to buy the underlying asset at the strike price. Their total payoff is calculated by subtracting any loss incurred from exercise from this initial premium. If the market price remains above the strike price, the writer keeps the entire premium as profit, but significant losses can occur.

108. (B) Split-up
A split-up is a drastic form of corporate restructuring where a parent company is divided into several independent companies, after which the original parent firm ceases to exist as a legal entity. The existing shareholders of the parent corporation receive shares in the new companies on a proportional basis. This action is usually taken to unlock the value of disparate business units that might be.

109. (C) It decreases.
According to the constant-growth dividend discount model, there is an inverse relationship between the required rate of return and the value of a share. If investors demand a higher return, perhaps due to increased market risk or rising interest rates, the denominator in the valuation formula increases. This higher discount rate reduces the present value of future dividends, leading to a decrease in price.

110. (D) 60 days from material pay to cash collection.
A cash conversion cycle of sixty days indicates the average amount of time a company takes to convert its investment in inventory and other resources into cash from sales. Specifically, it represents the time span starting from the point when the firm pays its suppliers for raw materials until the moment it successfully collects cash from its customers. A shorter cycle is generally preferred as efficient.

111. (D) (i), (ii), (iii), (iv), and (v)
The Modigliani-Miller dividend irrelevance hypothesis is built upon a set of idealized assumptions, including perfect capital markets where all investors have access to the same information and there are no transaction costs. It also assumes that there are no corporate or personal taxes and that the firm maintains a fixed investment policy regardless of its dividend payouts. Furthermore, the model operates under certainty.

112. (B) Economic Order Quantity (EOQ)
The Baumol model for cash management is conceptually derived from the economic order quantity model used in inventory management. Both models aim to determine an optimal balance by minimizing the total cost associated with holding an asset and the transaction costs of replenishing it. In the Baumol model, the goal is to find the ideal amount of cash to transfer from marketable securities to liquidity.

113. (B) Indirect quote for an Indian resident.
An exchange rate quote that expresses the value of a foreign currency in terms of the domestic currency is known as a direct quote. For an Indian resident, expressing the number of rupees needed to buy one US dollar is a direct quote. Conversely, an indirect quote expresses the number of units of foreign currency per one unit of the domestic currency, which is common.

114. (A) Projects with a quick payback period.
Using a high discount rate in net present value calculations significantly reduces the present value of cash flows that occur far in the future. As a result, projects that generate substantial cash inflows in their early years are more likely to be accepted than long-term projects with delayed returns. This approach naturally favors investments with quick payback periods, as they are less sensitive to rates.

115. (A) (ii), (iv), (i), (iii)
The lifecycle of a typical derivative contract begins when the parties enter into the agreement at a specified price. Throughout the duration of

NODIA

are more sensitive because their cash flows are discounted over a longer period. Additionally, bonds with lower coupon rates are more sensitive because a larger proportion of their total value is derived from the final principal payment received at maturity.

134. (B) $r < k$
In the dividend models developed by Walter and Gordon, a declining firm is defined as one whose internal rate of return on reinvested earnings is less than its cost of capital. For such companies, reinvesting profits into the business is not optimal from the perspective of shareholder wealth maximization. Instead, these firms should distribute their earnings as dividends to allow shareholders to invest.

135. (D) Arrive at mutually agreeable deal terms.
The fundamental objective of merger negotiations is to reach a set of terms and conditions that are mutually acceptable to both the acquiring company and the target firm. This involves agreeing on the purchase price, the form of payment, the future management structure, and the integration plan. Effective negotiations aim to create a transaction that benefits the shareholders of both entities involved.

136. (A) (i), (ii), and (iii)
Several factors can lead a firm to maintain a larger amount of working capital. High uncertainty in the business environment necessitates a larger cash cushion, while a long operating cycle requires more funds tied up in inventory and receivables. Additionally, a conservative management policy prioritizes liquidity over aggressive profitability. In contrast, easy access to financing and efficient "just-in-time" inventory policies typically allow for lower levels.

137. (C) Payback Period
The payback period is a traditional capital budgeting method that calculates the time required to recover an initial investment from cash inflows. Its primary criticism is that it completely ignores the time value of money, treating a dollar received in the first year the same as a dollar received several years later. While simple to use, it fails to provide a mathematically accurate assessment.

138. (A) Unsystematic Risk
Unsystematic risk, also known as diversifiable or firm-specific risk, is the portion of a security's total risk that can be eliminated by combining it with other non-correlated assets in a portfolio. This risk arises from factors unique to a particular company or industry, such as labor strikes or management changes. By holding a sufficiently large number of different securities, these specific risks are mitigated.

139. (D) Intrinsic value and time value
The total premium paid for an option consists of two distinct components: intrinsic value and time value. Intrinsic value represents the immediate profit that could be realized if the option were exercised at the current market price. Time value reflects the potential for the option's value to increase before expiration due to favorable price movements in the underlying asset. As expiration approaches, the time.

140. (B) 50 days
The average collection period is calculated by dividing the average accounts receivable by the average daily credit sales. For a firm with annual credit sales of thirty-six lakh fifty thousand rupees, the daily credit sales are ten thousand rupees. Dividing the average receivables of five lakh rupees by this daily figure results in a collection period of fifty days, representing the average collection.

141. (C) Forward rate
The forward rate is the specific exchange rate agreed upon today for a currency transaction that will occur at a specified date in the future. This rate allows businesses to lock in their future currency costs or revenues, thereby hedging against the risk of unfavorable exchange rate movements. The forward rate is determined by the current spot rate and the interest rate differentials.

142. (D) Acquires to protect from hostile takeover.
A defensive merger is a strategic combination initiated by a target firm to protect itself from an unwanted hostile takeover attempt. By merging with a friendly third party, often referred to as a "white knight," the target can secure better terms for its shareholders and maintain some influence

Downloaded from www.pdf.tube

over its future operations. This type of merger is primarily intended to thwart the hostile.

143. (C) Statement I is false, but Statement II is true.
The writer of a call option typically benefits when the underlying stock price remains stable or decreases, as they hope the option expires worthless to keep the premium. Therefore, the first statement is incorrect. The buyer of a put option, however, seeks to profit from a significant decline in the stock price below the strike price, making the second statement an accurate description.

144. (B) Dividend Theory - Certainty Equivalent
The pairing of dividend theory with the certainty equivalent method is incorrect because the certainty equivalent approach is a technique used in capital budgeting for risk analysis rather than a theory explaining dividend policy. Dividend theories, such as those by Walter or Gordon, focus on how payouts affect firm value. Other pairs, like corporate restructuring with spin-offs or portfolio management with beta, are correct.

145. (A) P-3, Q-4, R-1, S-2
The Capital Asset Pricing Model utilizes several key variables to determine expected returns. The risk-free rate is the starting point for valuation. Beta measures the systematic risk of an individual security relative to the broader market. The expected return on the market portfolio represents the overall market performance, while the market risk premium is the difference between the market return and the risk-free rate.

146. (A) Greater than or equal to zero
For a project to be considered financially acceptable under the net present value criterion, its net present value must be greater than or equal to zero. A positive net present value indicates that the project will add value to the firm by generating returns in excess of the cost of capital. A zero net present value means the project exactly meets the required return.

147. (C) Target to make firm less attractive to bidder.
A "poison pill" is a defensive tactic used by a target company to make its shares less attractive or prohibitively expensive for a potential hostile bidder. This often involves issuing new shares to existing shareholders at a deep discount if a certain threshold of ownership is reached by an unwanted acquirer. This dilution of the bidder's stake and the resulting increase in cost deterrents.

148. (D) Existence of taxes and transaction costs.
In their initial hypothesis, Modigliani and Miller argued that dividend policy is irrelevant to firm value in perfect capital markets. However, they acknowledged that in the real world, factors such as corporate and personal taxes, transaction costs, and information asymmetries can make dividend policy relevant. For example, tax differentials between dividends and capital gains can influence investor preferences and the firm's optimal payout.

149. (C) Prices and any dividends received.
The holding period return for a stock is a comprehensive measure of the total gain or loss realized over a specific timeframe. It is calculated by considering both the change in the market price of the share—capital appreciation or depreciation—and any dividends received during the period. This percentage return provides a complete picture of the investment's performance, accounting for all forms of wealth.

150. (A) Both A and R are true and R is the correct explanation of A.
Working capital management involves a fundamental trade-off between the firm's liquidity and its overall profitability. Maintaining high levels of current assets, such as cash and inventory, provides a safety net for meeting short-term obligations but reduces profitability since these liquid assets typically generate low returns. Conversely, minimizing current assets can enhance returns on invested capital but significantly increases the risk of technical insolvency.

151. (D) Spot Market
The spot market is the segment of the foreign exchange market where currencies are traded for immediate delivery, typically within two business days of the transaction. The exchange rate applied in this market is the spot rate, which reflects current supply and demand. This market is crucial for immediate financial needs, such as settling international trade invoices or providing currency for immediate travel needs.

NODIA

152. (A) Scenario analysis
Scenario analysis is a risk evaluation technique used in capital budgeting that involves developing several distinct sets of circumstances, such as worst-case, most likely, and best-case outcomes. By simultaneously changing multiple variables in each scenario, managers can assess the range of potential net present values for a project. This provides a more comprehensive view of risk compared to sensitivity analysis, which changes only.

153. (C) Be half as volatile as the market.
A stock's beta measures its systematic risk relative to the overall market, which has a beta of exactly one. If a security has a beta of zero point five, it is expected to be only half as volatile as the market as a whole. This means that if the market rises or falls by ten percent, the stock's price is likely to change.

154. (A) A spin-off
A spin-off is a corporate restructuring move where a parent company creates a new, independent firm from one of its existing divisions or business units. The shares of the new company are then distributed to the parent's current shareholders on a pro-rata basis. Following the spin-off, both companies operate as separate legal entities with their own management teams, allowing shareholders to hold assets.

155. (D) The premium paid for the option
For the buyer of an option contract, whether a call or a put, the maximum possible financial loss is strictly limited to the initial premium paid to purchase the contract. If the market conditions at expiration are unfavorable, the holder can simply choose not to exercise the option, allowing it to expire worthless. This feature provides investors with a known, capped level of risk.

156. (A) (i) and (ii) only
The payback period method is frequently criticized in capital budgeting for its theoretical simplicity. Its most significant weaknesses are that it completely ignores the time value of money and fails to consider any cash flows that occur after the initial investment has been recovered. While it provides a useful measure of project liquidity, it does not offer an accurate assessment of long-term wealth.

157. (C) A 0% dividend payout ratio.
In Walter's dividend model, a firm is considered a growth firm if its internal rate of return exceeds its cost of capital. To maximize the market value of its shares, such a firm should retain all of its earnings for reinvestment into profitable projects. Therefore, the optimal dividend payout ratio in this specific scenario is zero percent, as reinvesting profits creates more value.

158. (D) Limited profit, unlimited loss.
The writer of a call option faces a payoff profile characterized by a limited potential for profit and the risk of unlimited loss. The maximum gain is the upfront premium received for selling the option. However, if the underlying asset's price rises significantly above the strike price, the writer is obligated to sell the asset at the lower strike price, potentially incurring substantial financial losses.

159. (A) Zero
The internal rate of return is defined as the specific discount rate that makes the net present value of a project equal to zero. Therefore, if a project's internal rate of return is exactly equal to the company's cost of capital, it indicates that the present value of the expected future cash inflows matches the initial investment cost. In this equilibrium state, value is neither created nor destroyed.

160. (B) Receivables
Factoring is a specialized financial service focused on the management and financing of accounts receivable. In a factoring arrangement, a business sells its outstanding invoices to a third-party factor at a discount to receive immediate cash. This allows the firm to accelerate its cash flow and often transfers the responsibility for credit collection and the risk of bad debts to the financial institution factor.

161. (D) (i), (ii), (iii), (iv), and (v)
A comprehensive merger negotiation process involves several critical stages, beginning with initial strategic discussions between the acquirer and the target. This is followed by detailed due diligence to verify all aspects of the target's operations and finances. Subsequently, both parties negotiate the final price and draft the formal legal agreement. Finally, the deal must

Click Here to Buy book on Amazon

124. (B) Ordering cost and carrying cost.
The economic order quantity model is an inventory management technique that seeks to find the optimal order size that minimizes total inventory costs. It achieves this by balancing two opposing costs: ordering costs, which increase with the number of orders placed, and carrying costs, which increase with the amount of inventory held. By identifying the point where these two costs are equal, efficiency.

125. (A) Both A and R are true and R is the correct explanation of A.
Forward contracts are generally considered more flexible than futures contracts because they are private, bilateral agreements that can be customized to suit the specific needs of the parties involved. Participants can negotiate the exact quantity of the underlying asset and the specific delivery date, unlike futures contracts which are standardized to facilitate exchange trading. This customization allows businesses to hedge specific exposures.

126. (D) Increased sales and management costs.
When a firm decides whether to extend credit to its customers, it must carefully consider the trade-off between the potential for increased sales and the associated costs of managing receivables. While offering credit can attract more buyers and boost revenue, it also leads to higher administrative expenses, increased financing costs for carrying the debt, and the risk of losses from bad debt.

127. (A) Purchasing Power Parity (PPP)
Purchasing Power Parity is an economic theory that suggests exchange rates between two currencies are in equilibrium when their purchasing power is the same in both countries. According to this principle, the exchange rate should adjust to ensure that a basket of identical goods has the same cost when expressed in a common currency. This theory is a key component of understanding rates.

128. (A) Both Statement I and Statement II are true.
In capital budgeting, risk can be addressed through different analytical frameworks. The risk-adjusted discount rate method incorporates uncertainty by increasing the hurdle rate for riskier projects, thereby reducing their net present value. Alternatively, the certainty equivalent method modifies the expected future cash flows by reducing them to a certain amount that would be accepted with zero risk. Both techniques aim to ensure project feasibility.

129. (B) 1
The profitability index is the ratio of the present value of expected future cash inflows to the initial investment cost. When a project's net present value is exactly zero, it means the present value of its inflows is equal to the amount of the initial outlay. Consequently, the ratio of these two equal values will be exactly one, indicating that the project breaks.

130. (A) Provide a cushion for unexpected contingencies.
The precautionary motive for holding cash refers to the desire of a firm to maintain a liquid cushion to meet unexpected or unforeseen financial contingencies. These may include sudden equipment failures, unexpected price increases for raw materials, or delays in customer collections. By keeping extra cash on hand, the firm can avoid the costs associated with financial distress or the need to borrow.

131. (B) (i), (ii) and (iii) only
A leveraged buyout is characterized by the use of a high proportion of debt to finance the acquisition of a company. The assets of the target firm typically serve as collateral for the loans, and its cash flows are used to repay the debt. Often, the existing management of the target company participates in the buyout, which is then referred to as a management buyout.

132. (D) Required rate of return by equity investors.
The cost of equity is the minimum rate of return that a firm must offer its common stockholders to compensate them for the risk of investing their capital in the company. It represents the opportunity cost for shareholders, as it is the return they could expect from alternative investments with a similar risk profile. This rate is a crucial component in calculating the weighted average.

133. (C) Longer maturity and a lower coupon rate.
The sensitivity of a bond's price to changes in market interest rates is influenced by its maturity and coupon rate. Bonds with longer maturities

NODIA

171. (D) Hard currency
In international financial management, a hard currency is a globally traded currency that is expected to maintain its value or appreciate over time due to its stability and the strength of its underlying economy. Such currencies are widely accepted for international payments and are often held by central banks as part of their foreign exchange reserves. Investors typically seek hard currencies for security.

172. (B) Standardization and trading mechanism
The fundamental difference between forward and futures contracts lies in their degree of standardization and the environment in which they are traded. Forward contracts are private, customized agreements between two parties that are traded over-the-counter. In contrast, futures contracts are highly standardized in terms of quantity and quality and are traded on regulated exchanges, which provides higher liquidity and reduces risk of default.

173. (C) Both (B) and (D) are correct.
The time value of an option represents the portion of the total premium that exceeds its immediate intrinsic value. It reflects the possibility that the option's value could increase before expiration due to favorable movements in the price of the underlying asset. As the contract nears its expiration date, this time value progressively decays, eventually reaching zero at the point of maturity expiration.

174. (D) Friendly acquirer who saves target.
A "white knight" is a friendly individual or company that acquires a target firm to save it from an unwelcome hostile takeover attempt by another bidder. By merging with a white knight, the target firm can often secure more favorable terms for its shareholders and maintain a greater degree of management continuity compared to a successful hostile bid. This strategy is defensive in nature.

175. (A) Both A and R are true and R is the correct explanation of A.
The Arbitrage Pricing Theory does not specify the exact macroeconomic factors that determine security returns, which is one of its primary differences from the Capital Asset Pricing Model. Identifying these specific factors and their sensitivities for each individual security is a significant empirical challenge for researchers and analysts. This complexity arises because different securities may be impacted differently by various economic variables today.

176. (B) Discounting future cash flows.
The concept of time preference for money, which states that a dollar today is worth more than a dollar in the future, is the central justification for discounting expected future cash flows in financial analysis. By applying a discount rate, analysts can determine the current present value of future sums, allowing for accurate asset valuation and the comparison of various investment projects fairly.

177. (B) Dividends and required return.
The valuation of a share of common stock is primarily determined by the present value of all expected future dividends and the required rate of return demanded by investors. This approach, known as the dividend discount model, assumes that the stock's current worth is the sum of these discounted cash flows. Therefore, any changes in dividend expectations or investor risk perceptions influence value.

178. (A) More volatile than the overall market.
A stock with a beta greater than one point zero is considered more volatile than the overall market. This indicates that the stock's price movements are amplified relative to market fluctuations; for example, if the market rises by ten percent, a stock with a beta of one point five might rise by fifteen percent. Such stocks carry higher systematic risk and potential returns.

179. (C) Internal Rate of Return
The internal rate of return is the specific discount rate at which the net present value of all cash flows from a project equals zero. It serves as a measure of the project's inherent profitability and is used by managers to compare the expected return of an investment with the firm's required hurdle rate. A project is typically considered acceptable if its internal return.

180. (D) Firms in same industry competitors.
A horizontal merger is a strategic combination between two companies that operate in the same industry and at the same stage of the

NODIA

production process. These firms are typically direct competitors. The primary objectives of such a merger include increasing market share, achieving economies of scale by eliminating duplicate functions, and enhancing overall market power within their specific industry segment effectively.

181. (B) (i), (ii) and (iii) only
The Arbitrage Pricing Theory is a multi-factor asset pricing model that suggests security returns are influenced by several macroeconomic variables. Unlike the Capital Asset Pricing Model, it does not assume that all investors hold the market portfolio or that only one factor is relevant. However, the model does not specify the exact number of factors, making it a flexible but empirically challenging framework.

182. (B) Two firms in unrelated industries.
A conglomerate merger occurs when two companies that operate in completely unrelated industries join together to form a single entity. The primary motivation for this type of merger is often diversification, which can lead to more stable cash flows and reduced overall risk for the combined firm. Because the businesses are unrelated, there are typically fewer opportunities for traditional operating synergies compared to horizontal.

183. (D) Reduction of unsystematic risk.
The most significant benefit of holding a well-diversified portfolio is the substantial reduction of unsystematic risk, which is the portion of volatility specific to individual companies or industries. By combining different assets that do not move in perfect sync, an investor can minimize the impact of negative events affecting a single security. However, diversification cannot protect against systematic risk, which affects market.

184. (A) Out-of-the-money
A call option is considered out-of-the-money when the current spot price of the underlying asset is lower than the contract's strike price. In this situation, exercising the option to buy the asset would result in a loss, as it could be purchased more cheaply on the open market. Therefore, the option has zero intrinsic value and consists entirely of its remaining time value.

185. (C) Management of long-term debt.
Working capital management is specifically focused on the administration of a firm's current assets and current liabilities to ensure daily operational liquidity. This includes the management of cash, accounts receivable, and inventory levels. While the management of long-term debt is a critical part of a firm's overall capital structure and long-term financing strategy, it does not fall under the specific management scope.

186. (D) (i), (ii), (iii), (iv), and (v)
Mergers and acquisitions offer several potential synergies that can enhance firm value. These include achieving economies of scale, eliminating redundant functions, and increasing market power. Furthermore, companies may gain access to new technologies or unique capabilities through the acquisition of other firms. Financial synergies, such as a lower cost of capital and tax benefits from utilizing carry-forward losses, also contribute to transaction value.

187. (D) Hurdle rate or cost of capital
The interest rate used as the discount factor in net present value calculations is frequently referred to as the hurdle rate or the firm's cost of capital. It represents the minimum acceptable rate of return that a project must generate to justify the investment of resources. This rate accounts for both the time value of money and the specific risk profile of the investment.

188. (B) Variability in sales and earnings.
A firm with a high degree of business risk is characterized by significant variability in its operating income, which is largely driven by fluctuations in sales and production costs. Factors such as intense market competition, changing consumer preferences, and high fixed operating expenses can all contribute to this uncertainty. Understanding business risk is essential for managers as they make strategic decisions for growth.

189. (A) Both Statement I and Statement II are true.
Gordon's growth model is based on the assumption that a company's dividends will grow at a constant rate into the foreseeable future. Walter's model, another important theory of dividend policy, emphasizes how the relationship between a firm's internal rate of return and its

Downloaded from www.pdf.tube

cost of capital influences the market value of its shares. Both models provide foundational frameworks for understanding how dividend policies impact value.

190. (D) Counterparty default risk
The most significant risk associated with private forward contracts is counterparty default risk, where one party fails to fulfill their end of the agreement. Futures contracts mitigate this risk through the use of an exchange clearinghouse, which acts as the intermediary for every trade. The requirement for daily marking-to-market and margin payments ensures that any potential losses are covered, providing a secure trading environment.

191. (A) Benefits if job is lost following takeover.
A "golden parachute" is a provision in an executive's employment contract that guarantees significant financial benefits, such as large severance payments or stock options, if their employment is terminated following a corporate takeover. While these agreements are often criticized as excessive, they are intended to reduce conflict of interest and encourage management to act in the best interest of shareholders during acquisitions.

192. (B) Inventory levels
A firm's credit policy is a set of guidelines used to manage its accounts receivable and typically includes components such as the credit period, credit standards for evaluating customers, and any cash discounts offered for early payment. While managing inventory is a key part of overall working capital management, it is not a direct element of the policy specifically designed to receivables.

193. (B) All of the above.
The foreign exchange market provides several essential functions for the global economy, including the transfer of purchasing power between different nations and the provision of credit for international trade. Additionally, it offers various instruments for hedging against the risks associated with adverse currency movements. By facilitating these activities, the foreign exchange market supports continuous international commerce and investment across different national boundaries.

194. (A) Strike Price + Premium
The break-even point for an investor with a long position in a call option is reached when the market price of the underlying asset equals the strike price plus the initial premium paid for the contract. At this price, the profit from exercising the option exactly offsets the cost of purchasing it. Any further increase in the asset price results in a financial profit.

195. (B) P-3, Q-1, R-4, S-2
Different financial instruments and strategies serve unique purposes for investors and managers. A call option is typically used to bet on a future rise in asset prices, while a put option is used to profit from a price decline. Forward contracts are essential for locking in future exchange rates to manage currency risk. Finally, diversification is a core portfolio management strategy used.

NODIA

196. (D) More than dollar in the future.
The principle of the time value of money states that a dollar received today is more valuable than a dollar received at any point in the future. This is because money available now can be invested to earn interest or dividends, thereby growing in value over time. Furthermore, the uncertainty of future receipts and the eroding effect of inflation on purchasing power reinforce this.

197. (C) Yield to maturity (YTM)
The yield to maturity is the specific discount rate that equates the present value of all expected future cash flows from a bond, including coupons and principal, with its current market price. It represents the total annual return an investor would receive if the bond is held until its maturity date. This measure is more comprehensive than the coupon rate or current yields.

198. (B) Non-diversifiable risk
Systematic risk, frequently called non-diversifiable risk, refers to the volatility that is inherent in the entire market or economy. It stems from external factors such as changes in government policy, interest rates, or general economic recessions, which affect all securities to some degree. Because these factors impact the whole system, systematic risk cannot be eliminated through diversification, making it a critical consideration.

and minimizes the risk of default. This process distinguishes futures from forward agreements.

218. (A) Both Statement I and Statement II are true.
In the options market, call writing strategies are categorized by whether the investor owns the underlying asset. A naked call occurs when an investor sells a call option without possessing the actual stock, which carries significant risk if the price rises. Conversely, a covered call involves selling a call option while simultaneously owning the underlying shares, which provides some protection against rising.

219. (D) Cash conversion cycle
The cash conversion cycle is a key metric that measures the amount of time a company takes to convert its investment in resources into cash from sales. It specifically calculates the duration between the actual cash payment to suppliers for materials and the final collection of cash from customers for the sale of finished goods. A shorter cycle indicates a more efficient management process.

220. (C) P-3, Q-1, R-2, S-4
Companies use various restructuring actions to change their corporate structure and focus. A spin-off involves creating a new company and distributing its shares to existing owners. A divestiture is the sale of a specific part of a firm to an outside party. In a split-up, the parent firm ceases to exist as its units become independent. Finally, an equity carve-out involves selling.

221. (A) The lower risk.
A risk-averse investor is characterized by a preference for certainty and a dislike for volatility in their investment returns. When faced with two potential investments that offer the same expected rate of return, a risk-averse individual will invariably choose the one with the lower level of risk. This fundamental behavioral assumption is a key driver of asset pricing and capital market dynamics.

222. (B) NPV, linked to wealth maximization.
When net present value and the internal rate of return provide conflicting rankings for mutually exclusive projects, the net present value method is the preferred decision criterion. This is because net present value is directly aligned with the ultimate goal of shareholder wealth maximization by measuring the absolute dollar amount of value created. Furthermore, the reinvestment rate assumption in the net value model.

223. (C) Homemade dividends
The Modigliani-Miller argument for dividend irrelevance is built upon the concept of homemade dividends, which suggests that investors can create their own cash flows by selling a portion of their shares. In a perfect capital market, the cost of doing this is zero, meaning that an investor's total wealth remains unchanged whether the firm pays a dividend or they sell some of their equity.

224. (B) Combined value exceeds the sum of parts.
Value creation in a corporate acquisition is achieved when the market value of the combined entity is greater than the sum of the individual market values of the two separate companies before the transaction. This incremental value, often referred to as synergy, can arise from various sources such as cost reductions, revenue enhancements, or financial efficiencies that were not possible as separate units.

225. (A) Both A and R are true and R is the correct explanation of A.
In an efficient foreign exchange market, any opportunities for arbitrage are quickly identified and eliminated by rational market participants. Arbitrageurs act by purchasing currencies in markets where prices are low and selling them in markets where prices are high, which drives the rates to converge toward a common equilibrium. This continuous process ensures that exchange rates remain consistent across different global financial markets.

226. (A) Stock price is equal to strike price.
An option is described as being at-the-money when the current market price of the underlying asset is exactly equal to the contract's specified strike price. In this state, the option has zero intrinsic value because immediate exercise would result in no profit or loss, ignoring the initial premium paid. The entire value of an at-the-money option is derived from its potential time.

Click Here to Buy book on Amazon

208. (B) Strike Price - Premium
For an investor with a long position in a put option, the break-even point is reached when the market price of the underlying asset equals the strike price minus the initial premium paid. At this price, the profit generated from the right to sell the asset at the higher strike price exactly covers the cost of the option contract. Any further decline.

209. (B) Maximize shareholder wealth
The primary goal of financial management and capital budgeting is to maximize the long-term wealth of the firm's shareholders. This is achieved by investing in projects that have a positive net present value and by making financial decisions that enhance the overall market value of the company's shares. While profit maximization is important, wealth maximization is a more comprehensive objective that considers risks.

210. (A) Cross rate
A cross rate is an exchange rate between two currencies that is derived from their respective rates against a common third currency, often the US dollar. For example, if the rates for the euro and the yen against the dollar are known, the exchange rate between the euro and the yen can be calculated. Cross rates are essential for international trade transactions.

211. (D) (i), (ii), (iii), (iv), and (v)
Comparing net present value and internal rate of return reveals several key differences in their methodologies and assumptions. Net present value provides a direct measurement of absolute profitability and assumes reinvestment at the cost of capital. In contrast, the internal rate of return is a percentage measure that assumes reinvestment at the return rate of the project. These differing premises can lead.

212. (D) Between 0 and 1
If a stock's returns consistently move in the same direction as the market but with a smaller overall magnitude, its beta will be between zero and one. This indicates that the security is less volatile than the broader market portfolio, which has a beta of exactly one. Such stocks are often considered defensive investments, as they tend to experience smaller price swings.

213. (D) All of the above.
For a company that is not expected to grow and pays out all of its earnings as dividends, the valuation of its shares can be approached in several equivalent ways. One can use the Gordon model with a zero growth rate, which simplifies to dividing dividends by the required rate of return. Since all earnings are paid out, dividends and earnings are equal.

214. (B) Acquirer and target negotiate terms.
Merger negotiations represent the formal process during which the acquiring company and the target firm discuss and agree upon the specific terms of a potential combination. These discussions cover critical aspects such as the final purchase price, the method of payment, and the governance structure of the combined entity. Successful negotiations are essential for creating a deal that is acceptable to all shareholders.

215. (A) (iii), (i), (ii)
Financing policies for working capital range from aggressive to conservative based on how permanent and temporary assets are funded. An aggressive strategy uses short-term financing for all temporary and some permanent current assets, carrying higher risk. The matching approach aligns asset maturities with financing sources. Finally, a conservative strategy uses long-term financing for all permanent and even some temporary current assets for stability.

NODIA

216. (A) Buying back shares from bidder at premium.
Greenmail is a controversial takeover defense where a target company buys back its own shares from a potential hostile bidder at a significant premium to the current market price. In exchange for this payment, the bidder agrees to drop their takeover attempt and not to pursue the company for a specified period. While it can preserve management's control, greenmail is often criticized.

217. (C) Futures contracts
Marking to market is a fundamental feature of futures contracts that involves the daily adjustment of an investor's account to reflect changes in the market price of the contract. Any profits or losses incurred during the trading day are settled immediately in cash, which ensures that both parties maintain sufficient collateral

199. (D) Budgeting is long-term, working is short-term.
The fundamental difference between capital budgeting and working capital management lies in the time horizon of the decisions. Capital budgeting involves the evaluation of long-term investment projects that require significant funding and impact the firm's growth for many years. In contrast, working capital management focuses on the daily administration of the firm's current assets and liabilities to ensure its short-term survival and liquidity.

200. (A) Both A and R are true and R is the correct explanation of A.
According to the Modigliani-Miller irrelevance hypothesis, the value of a firm is determined solely by its investment policy rather than how it chooses to distribute its earnings. This is because any positive effect of a dividend payment on the share price is exactly offset by the reduction in value caused by issuing new shares to finance the firm's investment needs today.

201. (C) Monte Carlo Simulation
Monte Carlo simulation is a sophisticated risk analysis technique that uses probabilistic distributions for various input variables and computer-generated models to estimate a project's potential outcomes. By running thousands of simulations, it provides a detailed distribution of possible net present values, allowing managers to understand the likelihood of achieving specific financial goals. This method is more comprehensive than simple scenario analysis.

202. (A) Vertical merger
A vertical merger occurs when a company acquires another firm that operates at a different stage of the same production process, such as a supplier or a distributor. This strategy is often used to secure the supply of critical raw materials or to gain better control over the distribution of finished products. Vertical integration can lead to improved operational efficiencies and cost.

203. (D) Assumes a multi-factor model.
The Arbitrage Pricing Theory is a more flexible framework than the Capital Asset Pricing Model because it assumes that security returns are influenced by multiple macroeconomic factors rather than a single market-wide variable. This multi-factor approach allows for a more detailed analysis of how different economic trends, such as inflation or industrial production, affect the expected returns of various assets in equilibrium.

204. (B) Stock Price - Strike Price
The intrinsic value of an in-the-money call option is the immediate profit that could be realized by exercising the option and then selling the underlying asset at the current market price. It is calculated by subtracting the option's strike price from the asset's current spot price. If the result is positive, the option has intrinsic value; if negative, the intrinsic value.

205. (C) Maximize the value of the firm.
The optimal level of working capital is the specific amount of current assets and liabilities that is expected to maximize the overall value of the firm. Achieving this balance requires carefully weighing the trade-off between the costs of maintaining liquidity and the potential for increased profitability. A firm that manages its working capital effectively can meet its short-term obligations while also growing.

206. (A) (i), (ii) and (iv) only
Cash management is a critical function focused on balancing a firm's liquidity needs with its profitability goals. It involves holding cash for routine transactions, as a precaution against unexpected events, and for speculative opportunities. While various models like the Baumol model help determine the optimal balance, the primary objective is to ensure that the company can meet its financial obligations without.

207. (A) Forward integration
Forward integration is a specific type of vertical merger where a firm acquires one of its distributors or customers to gain better control over the final sale and delivery of its products. This strategy can help a company improve its profit margins by capturing more of the value chain and can also provide better insights into consumer preferences and market trends effectively.

Downloaded from www.pdf.tube

227. (C) Short-term financing
An aggressive working capital financing strategy involves using a significant proportion of short-term debt to fund both temporary current assets and a portion of the firm's permanent current assets. While this approach can lower the overall cost of capital due to the generally lower rates on short-term loans, it exposes the firm to higher liquidity and refinancing risks, especially if rates increase.

228. (D) Company's earnings per share
The valuation of a bond is primarily determined by its contractually specified coupon rate, the time remaining until maturity, and the prevailing market interest rate, also known as the required yield. While a company's earnings per share are a critical indicator of its overall financial performance and common stock value, they do not directly enter into the mathematical formulas used to value debt.

229. (C) Leveraged buyout (LBO)
A management buyout is a specific type of leveraged buyout where the existing management team of a company acquires a controlling interest in the firm, often taking it private. Like other leveraged buyouts, management buyouts are heavily financed through debt, which is then serviced using the future cash flows of the business. This structure aligns the interests of the managers with those shareholders.

230. (B) Dividends over uncertain future gains.
The "bird-in-hand" theory of dividends suggests that investors value current dividend payments more highly than potential future capital gains because they perceive immediate cash as being more certain and less risky. This preference for current income leads to the belief that firms with higher dividend payout ratios will have a higher market value, as investors are willing to pay for certainty.

231. (A) (i), (iii) and (iv) only
Forward and futures contracts are distinguished by several key features, including their degree of customization and how they are settled. While forward contracts are private, customized agreements with significant counterparty risk, futures contracts are standardized and traded on exchanges. Furthermore, futures contracts undergo daily marking-to-market to settle profits and losses immediately, a process that does not occur with traditional private forward agreements.

232. (A) Expected return and systematic risk.
The Security Market Line provides a graphical depiction of the relationship between the expected rate of return on an investment and its systematic risk, as measured by beta. According to the Capital Asset Pricing Model, any security that is fairly priced should fall on this line, showing that higher levels of market-wide risk are rewarded with higher expected returns. It serves as benchmark.

233. (C) PV of Cash Inflows / Initial Outflow
The profitability index is a relative measure of a project's attractiveness, calculated by dividing the present value of all expected future cash inflows by the initial investment outlay. A ratio greater than one indicates that the project's benefits exceed its costs on a present-value basis, signifying a positive net present value. This tool is particularly useful for ranking projects when a firm faces constraints.

234. (A) All of the above.
Synergy in the context of a corporate merger refers to the potential for the combined entity to be more efficient and valuable than the two separate firms operating independently. This extra value can be achieved through various means, such as achieving economies of scale, reducing risk through diversification, and improving operational efficiency. When realized, synergy leads to a combined market value increase.

NODIA

235. (D) Foreign exchange risk
Foreign exchange risk is the possibility of financial loss arising from adverse movements in currency exchange rates. This risk affects any business involved in international trade or investment, as it can impact the value of transactions, the translation of foreign financial statements, and the overall competitive position of the firm. Effective risk management involves using various derivative instruments to hedge against these market fluctuations.

236. (A) (i), (ii), and (iii) only
Walter's Dividend Model is founded on several key assumptions, including that the firm has an infinite lifespan and is entirely financed by its retained earnings. Furthermore, the model assumes that both the firm's internal rate of return and its cost of capital remain constant over time. These assumptions are used to analyze how the firm's investment returns relative to its required capital.

237. (A) Selling off parts to pay down debt.
Asset stripping is a strategy that can occur after a leveraged buyout, where the new owners sell off specific business units or valuable assets of the acquired company. The primary purpose of these sales is to generate immediate cash to pay down the significant amount of debt used to finance the acquisition. While this can improve the firm's short-term financial position quickly.

238. (D) Firm should buy securities for excess.
In the Miller-Orr cash management model, the upper control limit represents a maximum desired cash balance for the firm. When the actual cash balance reaches or exceeds this specific threshold, the company is encouraged to buy marketable securities using the excess cash. This ensures that the firm does not hold non-interest-bearing cash unnecessarily and helps it maintain an optimal balance of liquid assets.

239. (A) Determining fair value premium.
Option pricing is the analytical process of determining the fair market value, or premium, of an option contract. This involves using various mathematical models, such as the Black-Scholes model, which account for factors such as the underlying asset price, strike price, time to expiration, and volatility. Accurate option pricing is essential for both buyers and sellers to ensure that the contract is fair.

240. (B) Cash goal is to maximize balance.
The primary goal of cash management is not to maximize the cash balance on hand, but rather to maintain an optimal level that balances liquidity and profitability. Holding excessive cash is inefficient as it earns little to no return, resulting in a high opportunity cost for the firm. Effective management involves minimizing non-earning cash while ensuring that the company has sufficient funds today.

241. (B) Systematic risk
Systematic risk, also known as market-wide or non-diversifiable risk, is the portion of total volatility that cannot be eliminated through diversification. It stems from broad macroeconomic factors that impact all securities to some degree, such as changes in interest rates, inflation, or political stability. Because these factors affect the entire financial system, even a perfectly diversified portfolio will still be exposed.

242. (A) Growth rate (g) > required return (ke).
The constant growth dividend discount model, also known as the Gordon model, is not appropriate for valuation when the expected growth rate of dividends exceeds the investor's required rate of return. In this mathematically impossible scenario, the model would produce a negative share price, which is nonsensical. For firms with extremely high growth expectations, multi-stage models must be used to provide valuation.

243. (C) 1.25
The profitability index for a project is calculated by dividing the present value of its expected future cash inflows by the amount of the initial investment outlay. For a project with an eighty thousand rupee cost and cash inflows with a present value of one lakh rupees, the resulting profitability index is one point two five. This ratio indicates that the project creates positive value.

244. (D) Pac-Man Defense
The Pac-Man defense is a rare and aggressive takeover defense tactic where the target firm attempts to acquire its own hostile bidder by making a counter-offer for the bidder's shares. This strategy effectively turns the tables on the original attacker and can lead to a complex and expensive battle for corporate control. While it can successfully thwart a takeover attempt, it is costly.

245. (C) Sensitivity to macroeconomic factors.
According to the Arbitrage Pricing Theory, the expected return on a stock is a function of its sensitivity to multiple macroeconomic factors, such as inflation, industrial production, and

Click Here to Buy book on Amazon

changes in interest rates. Unlike the Capital Asset Pricing Model, which focuses only on a single market factor, this model accounts for several different sources of systematic risk that can influence asset performance and returns.

246. (B) Obligation to buy if exercised.
The writer or seller of a put option has a legal obligation to buy the underlying asset at the predetermined strike price if the holder of the option decides to exercise their right. This typically occurs when the market price of the asset falls below the strike price, as the holder wants to sell at the higher agreed price. The writer receives premium compensation.

247. (D) To maintain an optimal balance between liquidity and profitability.
The primary goal of managing a firm's working capital is to find and maintain an optimal balance between the company's liquidity needs and its overall profitability. High levels of current assets provide a safety net for meeting obligations but reduce returns, while low levels can enhance profitability but significantly increase the risk of insolvency. Successful management ensures that the company can meet obligations.

248. (A) Relevant to investors in tax brackets.
Differences in the tax rates applied to dividends and capital gains can make a firm's dividend policy highly relevant to its investors. For example, if capital gains are taxed at a lower rate than dividend income, many investors will prefer that the firm retains its earnings for growth rather than paying them out as cash. This tax clientele effect influences how investors value.

249. (C) Forward premium
When the forward exchange rate for a currency is higher than its current spot rate, the currency is said to be trading at a forward premium. This indicates that the market expects the currency to appreciate in value relative to another currency in the future. The amount of the premium is often influenced by the interest rate differential between the two national economies involved.

250. (A) Both A and R are true and R is the correct explanation of A.
In working capital management, firms must navigate a significant trade-off between maintaining sufficient liquidity and achieving desired levels of profitability. Holding a large amount of current assets, such as cash and inventory, ensures that the company can easily meet its short-term financial obligations but can reduce overall profitability since these liquid assets often earn very low returns compared to various long-term investments.

251. (B) The potential of money to generate earnings over time.
Money has the potential to earn interest or investment returns when held now rather than later. This inherent earning capacity means a specific sum available today can grow into a larger amount in the future. Consequently, individuals prefer current liquidity over future receipts to capitalize on these growth opportunities and offset risks like inflation or future uncertainty.

252. (A) Discounting
Determining the current worth of cash flows expected in the future is a fundamental financial technique. This specific process involves applying a specific rate to reduce future values back to their present-day equivalents. By accounting for the time value of money, this method allows for a standardized comparison of financial returns across different time horizons and risk profiles.

253. (C) By calculating the present value of its expected future cash flows, including coupons and maturity value.
A bond's intrinsic value is established by identifying all projected financial inflows associated with the instrument. These include periodic interest payments alongside the final principal repayment at the end of the term. These future amounts are then adjusted using a discount rate to reflect their total value in today's terms, providing a comprehensive valuation based on cash flow.

254. (D) An inverse relationship, where a higher discount rate leads to a lower present value.
The connection between the rate used for adjustment and the resulting current worth of an asset is fundamentally opposite. As the rate increases to account for higher risk or opportunity costs, the present value of those future funds decreases. Conversely, a lower rate yields a

Downloaded from www.pdf.tube

higher valuation, demonstrating how sensitive asset pricing is to changing market perceptions.

255. (C) It is a forward-looking process that involves discounting anticipated future earnings or dividends.
Valuing equity requires projecting the financial benefits a company is expected to generate for its owners over time. This approach looks ahead to forecast dividends or free cash flows rather than relying solely on historical figures. These anticipated future sums are then discounted to the present, reflecting the current market value based on the expected future performance.

256. (B) Higher risk is associated with the potential for higher returns.
Financial theory establishes a direct positive correlation between the level of uncertainty an investor accepts and the possible rewards they might receive. Since most market participants are naturally cautious, they require the possibility of greater gains to justify holding assets with volatile outcomes. This basic trade-off ensures that riskier investments generally offer higher projected returns to attract capital.

257. (D) Unsystematic risk can be reduced through diversification, whereas systematic risk cannot.
Diversification is a strategy used to spread investments across various assets to minimize specific, localized threats. While this method effectively reduces the impact of events affecting single companies or industries, it cannot eliminate broad market-wide threats. These unavoidable pressures, which impact the entire financial system simultaneously, remain present regardless of how broadly an individual investor chooses to diversify.

258. (A) They prefer investments with less uncertainty for a specific level of return.
When presented with two options offering the same expected gain, a cautious market participant will consistently choose the one with the highest level of certainty. This behavior indicates a preference for minimizing volatility and potential losses. Such individuals do not necessarily avoid all risks but instead require adequate compensation in the form of higher expected returns before accepting uncertainty.

NODIA

259. (C) The non-diversifiable systematic risk.
The minimum return that investors demand for holding a security is primarily driven by the risks that cannot be eliminated through a broad portfolio. These market-wide factors represent the baseline uncertainty inherent in the financial environment. Since specific company risks can be neutralized by spreading investments, only these unavoidable systemic factors are considered when calculating the necessary risk premium.

260. (A) It is a weighted average of all potential outcomes based on their probabilities.
Determining the anticipated gain from an investment involves analyzing various potential results and their likelihood of occurring. By multiplying each possible return by its associated probability and summing the totals, analysts arrive at a single representative figure. This statistical average provides a central estimate for decision-making purposes, acknowledging that the actual realized return may differ from theory.

261. (D) They are strategic, long-term decisions involving substantial capital.
Business decisions involving major investments are characterized by their significant financial scale and extended time horizons. These choices often define a firm's future direction and operational capabilities for many years. Due to the substantial resources required and the difficulty of undoing such commitments, these strategic actions are critical to a company's overall health and require rigorous pre-implementation evaluation.

262. (B) incorporate the time value of money.
Advanced evaluation techniques are considered more accurate because they explicitly recognize that a dollar received today is worth more than a dollar received later. By adjusting all future inflows and outflows to their current value, these methods provide a more realistic assessment of a project's true economic contribution. This approach allows for better comparison between projects with different timing.

263. (C) Because different methods may lead to conflicting investment decisions.
Evaluating multiple analysis techniques is necessary because no single method captures every aspect of an investment's value perfectly.

On certain occasions, one approach might suggest a specific project is superior, while another sophisticated model indicates a different choice is better. Understanding these potential discrepancies allows financial managers to interpret results more effectively and make choices that align with goals.

264. (D) irreversibility and long-term strategic impact.
The importance of major investment choices stems from the fact that once committed, these projects are extremely difficult and expensive to abandon. Furthermore, they fundamentally alter a firm's market position and future growth potential. These lasting consequences mean that any errors in the decision-making process can have severe, long-term negative effects on the organization's viability and competitive standing.

265. (A) To select projects that maximize shareholder wealth.
The fundamental objective of evaluating potential investments is to identify opportunities that generate the greatest possible value for the company's owners. By directing limited financial resources toward projects with the highest net benefits, firms increase their overall market value. This process ensures that capital is used efficiently to enhance the long-term prosperity of the organization and its stakeholders.

266. (B) Risk involves estimable probabilities for outcomes, while uncertainty does not.
Distinguishing between these two concepts is essential for accurate financial modeling and decision-making. One term applies when an analyst can calculate or reasonably predict the likelihood of different future events occurring. The other term is reserved for situations where the potential outcomes are so unpredictable that assigning specific mathematical probabilities is impossible, making standard statistical analysis difficult to apply.

267. (B) Adjusting the discount rate upwards for projects with higher risk.
A common approach for addressing potential variability in project outcomes involves increasing the rate used to calculate present value. By raising this percentage for ventures perceived as more dangerous, the company effectively requires a higher level of return to justify the investment. This adjustment ensures that only those riskier projects offering substantial rewards are approved, aligning with the firm's tolerance.

268. (A) To assess how the project's value changes with variations in key input variables.
This analytical tool allows managers to understand how vulnerable a project's success is to changes in specific underlying assumptions. By altering one variable at a time, such as raw material costs or demand levels, the firm can identify which factors have the most significant influence on the final valuation. This knowledge helps in focusing risk management efforts effectively.

269. (C) evaluating project performance under a range of possible future conditions.
Rather than relying on a single forecast, this method tests how an investment would perform under various broad circumstances. By creating models for best-case, worst-case, and most probable situations, the organization gains a clearer picture of the potential range of outcomes. This comprehensive view helps decision-makers prepare for different market environments and understand the full spectrum of consequences.

270. (D) The selection of projects that may not be optimal for the firm.
Neglecting to properly evaluate the potential variability and unpredictability of future cash flows can result in poor capital allocation. Without this critical step, a company might commit vast resources to projects that appear profitable on paper but carry hidden dangers. This oversight increases the likelihood of choosing investments that do not actually improve the firm's long-term value.

271. (C) That dividend policy does not influence a firm's value in a perfect market.
This theoretical perspective suggests that the way a company chooses to distribute its profits does not change the total worth of the organization. In an idealized economic environment without taxes or transaction costs, investors can create their own cash flows by selling shares. Therefore, they are concerned only with the company's overall earning power rather than the payout schedule.

Click Here to Buy book on Amazon

290. (A) That portfolios should be managed to control exposure to multiple systematic risk factors.
This theory changes how investors approach risk management. Instead of just worrying about whether the whole market goes up or down, they must monitor their sensitivity to various economic forces. A well-constructed portfolio should be balanced against different threats, such as interest rate changes or shifts in industrial output, to ensure that it meets specific objectives and tolerance levels.

291. (C) Its value is based on an underlying asset.
These specialized financial tools do not have intrinsic value on their own. Instead, their worth is linked to the performance of a separate entity, such as a stock, bond, or commodity. Because they track the price movements of these primary assets, they allow investors to gain exposure to market shifts or protect against losses without owning the physical items.

292. (A) right, but not the obligation, to buy the underlying asset at a specific price.
This type of contract provides the purchaser with the choice to acquire a specific asset at a set price within a certain timeframe. The buyer will only choose to exercise this privilege if the current market price is higher than the agreed-upon amount. If the market price is lower, the holder can simply let the contract expire without action.

293. (D) Future contracts are standardized and exchange-traded, while forward contracts are private and customizable.
While both types of contracts involve an agreement to trade an asset later, they differ in their structure and accessibility. One is a highly regulated instrument with fixed terms that can be easily bought or sold on a public market. The other is a more flexible arrangement negotiated directly between two parties, allowing for personalized terms but carrying counterparty risk.

294. (B) The underlying asset's price and the option's strike price.
The final value of this financial instrument is determined by comparing the market price of the asset at the end of the contract to the price established when the agreement was made. The difference between these two figures represents the potential gain for the holder. If the relationship between these prices is not favorable, the instrument may end up worthless.

295. (C) The volatility of the underlying asset.
When calculating the fair value of a contract, analysts must account for how much the price of the related asset is likely to change. A higher degree of price movement increases the chance that the contract will become profitable for the holder. Therefore, this measure of price variation is a critical component in the mathematical formulas used for pricing.

NODIA

296. (D) Liquidity and profitability.
Managing short-term assets and debts requires a delicate balance between two competing objectives. A company must maintain enough cash and near-cash resources to meet its immediate financial obligations. However, holding too much idle cash can reduce the overall returns on the firm's investments. Managers must find the optimal point where the firm remains safe without sacrificing its potential earnings.

297. (A) Factoring
This financial strategy allows a business to improve its immediate cash flow by transferring its unpaid customer invoices to another organization. In exchange for receiving funds quickly, the business accepts a slightly reduced payment. This process also shifts the responsibility for collecting the money from the customers to the specialized firm that purchased the debt, simplifying the company's internal operations.

298. (B) The length of the production cycle.
The amount of money a company needs to keep its daily operations running is heavily influenced by how long it takes to create its products. If it takes a long time to turn raw materials into finished goods that can be sold, the company must tie up more funds in inventory and labor. Shorter processes generally require less capital.

299. (B) To minimize holding costs without causing production or sales disruptions.
Businesses strive to keep their stock levels as low as possible to save on storage and insurance expenses. At the same time, they must ensure they have enough materials on hand to avoid stopping

281. (A) To describe the relationship between systematic risk and expected return.
This financial model provides a structured way to understand how the market compensates investors for taking on unavoidable risk. By linking the expected gain from a stock to its sensitivity to overall market movements, it establishes a theoretical baseline for pricing. This relationship is central to modern finance, helping participants determine if an investment offers a fair return.

282. (B) The measure of an asset's systematic risk relative to the market.
This specific coefficient quantifies how much a particular security's price tends to move in response to changes in the broader financial environment. A value higher than one suggests the asset is more volatile than the market, while a lower value indicates less sensitivity. It serves as the key metric for determining the risk premium required by investors.

283. (B) Because this type of risk can be eliminated through diversification.
Economic theory suggests that investors should not receive extra returns for taking on risks that they can easily avoid. Since threats specific to a single company can be neutralized by holding a wide variety of different assets, the market does not provide a premium for them. Only those risks that affect all securities simultaneously and cannot be avoided require compensation.

284. (A) The asset's beta and the expected market risk premium.
The additional return required above the safe rate depends on two main factors. First is the individual asset's sensitivity to market fluctuations, known as its volatility coefficient. Second is the general reward the market offers for accepting systematic risk, which is the gap between expected market gains and the risk-free rate. Multiplying these together determines the security's premium.

285. (C) Determining the appropriate discount rate for investment projects.
Beyond valuing stocks, this model is frequently used by businesses to evaluate potential internal projects. By calculating the required return based on a project's risk profile, managers can set the correct rate for discounting future cash flows. This ensures that the company only accepts new ventures that are expected to provide returns high enough to satisfy investor requirements.

286. (D) APT assumes asset returns can be explained by multiple factors, while CAPM uses a single market factor.
While both theories attempt to price assets based on risk, they differ in their complexity. The traditional model relies solely on one broad market-related variable to predict returns. In contrast, the alternative theory suggests that many different economic forces, such as inflation or production levels, simultaneously influence prices. This multi-layered approach allows for a more detailed analysis of risks.

287. (C) The absence of arbitrage opportunities in efficient markets.
The foundation of this pricing theory is the belief that in functioning markets, it is impossible to consistently make a profit without taking on risk. If two assets with identical risk characteristics were priced differently, investors would quickly buy the cheaper one and sell the more expensive one. This activity would continue until the prices aligned in equilibrium.

288. (B) An unexpected change in the national inflation rate.
This pricing theory focuses on broad economic events that have the potential to impact many different companies at once. Unforeseen shifts in the general level of prices throughout an economy are a perfect example of such a factor. Because these changes can alter costs and revenues for many businesses simultaneously, they represent a form of systematic risk requiring careful consideration.

289. (D) It does not pre-specify the macroeconomic factors, allowing for flexibility.
One of the most significant features of this model is its adaptability. It provides a general structure for pricing but allows analysts to choose the specific economic variables that are most relevant to a particular time or market. This lack of rigid requirements means the model can be tailored to better reflect the complex realities of different financial environments globally.

Downloaded from www.pdf.tube

CHAPTER 06

Strategic Management and Marketing

NODIA

1. Which of the following best defines Strategic Management?
(A) The systematic process of overseeing and managing daily operational activities within a business firm.
(B) Managerial decisions and actions that determine the long-run performance of a corporation.
(C) The organizational function responsible for maintaining financial accounting and fiscal reporting.
(D) Strategic marketing activities involved in the promotion and distribution of company products.

2. In the strategic management process, what is the immediate next step after strategy formulation?
(A) Strategy implementation
(B) Environmental scanning
(C) Evaluation and control
(D) Setting objectives

3. Which of the following pairs related to strategic decisions is correctly identified?
(A) Strategic decision : Routine and repetitive
(B) Operational decision : Deals with long-term direction
(C) Tactical decision : Focuses on specific functional areas
(D) Strategic decision : Requires only middle-level management

4. A company's decision to expand from a single-product firm to a multi-product firm is an example of what type of decision?
(A) An operational decision
(B) A tactical decision
(C) A financial decision
(D) A strategic decision

5. Which statement is INCORRECT regarding the strategic management process?
(A) It is a dynamic and continuous process.
(B) It involves a clear sequence of formulation, implementation, and evaluation.
(C) It is a one-time process completed at the beginning of a business cycle.
(D) Feedback from evaluation can influence future strategy formulation.

6. The primary purpose of External Analysis in strategic management is to:
(A) Identify the company's internal strengths and weaknesses.
(B) Understand the opportunities and threats in the organization's environment.
(C) Allocate resources efficiently within the organization.
(D) Formulate the company's mission and vision statements.

7. Which of the following is NOT a component of the PEST analysis framework?
(A) Political factors
(B) Economic factors
(C) Technological factors
(D) Structural factors

8. According to Porter's approach to industry analysis, which of the following increases the threat of new entrants?
(A) Low economies of scale for existing firms
(B) High capital requirements
(C) Strong brand loyalty among existing customers
(D) Lack of access to distribution channels

9. Consider the following statements:
Statement I: Porter's Five Forces model is used to analyze the internal environment of a firm.
Statement II: The Resource-Based Approach focuses on the firm's unique resources and capabilities as the primary source of competitive advantage.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

the manufacturing process or disappointing customers who want to buy products. Finding this perfect level is essential for maintaining efficient operations and maximizing overall performance.

300. (A) By causing fluctuations in the value of foreign-denominated receivables and payables.
Companies that operate in multiple countries face additional challenges because the relative value of different currencies changes constantly. When a business is owed money or owes money in a different currency, a shift in exchange rates can change the actual amount of domestic cash they eventually receive or spend. This unpredictability adds another layer of operational risk.

www.nodia.in

Click Here to Buy book on Amazon

market growth rate.

Which of the above statement(s) is/are correct?

(A) a, b, and d only
(B) a, c, and e only
(C) b, c, and d only
(D) c, d, and e only

20. According to Ansoff's Product Market Growth Matrix, a strategy of selling existing products in new markets is called:

(A) Market Penetration
(B) Product Development
(C) Diversification
(D) Market Development

21. The most significant challenge in strategy implementation is often considered to be:

(A) Developing detailed programs and budgets.
(B) Allocating financial resources.
(C) Managing change and overcoming resistance.
(D) Communicating the strategy to top management.

22. Which of the following is NOT one of the seven elements in the McKinsey 7S Framework?

(A) Strategy
(B) Sales
(C) Structure
(D) Skills

23. In the McKinsey 7S Framework, which elements are considered "hard" elements?

(A) Skills, Staff, Style
(B) Shared Values, Strategy, Staff
(C) Systems, Style, Skills
(D) Strategy, Structure, Systems

24. The core idea behind the McKinsey 7S Framework is that:

(A) All seven elements are interconnected and a change in one affects the others.
(B) Strategy is the most important element for organizational success.
(C) "Soft" elements are more important than "hard" elements for implementation.
(D) The framework is only applicable to large multinational corporations.

25. The "Societal Marketing Concept" holds that a company should make good marketing decisions by considering:

(A) The immediate organizational requirements and the maximization of short-term shareholder profits.
(B) The regulatory demands of the national government and various industry-specific oversight bodies.
(C) Consumers' wants, the company's requirements, and society's long-run collective interests.
(D) The competitive marketing strategies and tactical positioning adopted by its closest industry rivals.

26. Arrange the following marketing management orientations in their historical order of evolution.

1. Selling Concept
2. Production Concept
3. Marketing Concept
4. Societal Marketing Concept

(A) 1, 2, 3, 4
(B) 2, 1, 3, 4
(C) 2, 3, 1, 4
(D) 1, 3, 2, 4

27. Which of the following is the best definition of Customer Value?

(A) The total monetary price and time investment a customer pays for a specific product.
(B) The psychological level of satisfaction or delight a customer feels after completing a purchase.
(C) The perceived functional quality of a product when compared directly against major competitors.
(D) The difference between perceived customer benefits and the total costs of obtaining the product.

NODIA

28. The process of dividing a broad market into subsets of consumers with common needs or characteristics is known as:

(A) Market Targeting
(B) Market Segmentation
(C) Market Positioning
(D) Market Diversification

10. What is the central idea behind the Resource-Based Approach (RBA) to internal analysis?
(A) A firm's competitive advantage is derived from its unique and valuable resources.
(B) Industry structure is the primary determinant of firm profitability.
(C) Analyzing external opportunities and threats is more important than internal analysis.
(D) All firms in an industry possess similar strategic resources.

11. In a Value Chain Analysis, which of the following is considered a primary activity?
(A) Human Resource Management
(B) Technology Development
(C) Procurement
(D) Operations

12. Given below are two statements, one labeled as Assertion (A) and the other labeled as Reason (R):
Assertion (A): The bargaining power of suppliers is high when they are more concentrated than the industry to which they sell.
Reason (R): Concentrated suppliers have more leverage to dictate terms, prices, and quality, thus reducing industry profitability.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

13. A resource that is valuable, rare, costly to imitate, and non-substitutable is known to provide a firm with:
(A) A temporary competitive advantage.
(B) Competitive parity.
(C) A sustainable competitive advantage.
(D) A competitive disadvantage.

14. The "S" in SWOT analysis stands for:
(A) Strategy
(B) Structure
(C) Synergy
(D) Strengths

15. Match the items in List I with the items in List II regarding SWOT analysis.
List I: (SWOT Component)
P. Strengths
Q. Weaknesses
R. Opportunities
S. Threats
List II: (Description)
1. External conditions that may harm the organization's performance.
2. Internal attributes that are detrimental to achieving objectives.
3. External conditions that could benefit the organization.
4. Internal capabilities that give a competitive advantage.
(A) P-4, Q-2, R-3, S-1
(B) P-1, Q-3, R-2, S-4
(C) P-4, Q-3, R-1, S-2
(D) P-2, Q-4, R-3, S-1

NODIA

16. A corporate strategy that involves a reduction in the scope of a company's activities is known as:
(A) Growth strategy
(B) Retrenchment strategy
(C) Stability strategy
(D) Integration strategy

17. A company acquiring its supplier is an example of which type of integration?
(A) Forward integration
(B) Backward integration
(C) Horizontal integration
(D) Concentric diversification

18. In the BCG matrix, a business unit with a high market share in a low-growth industry is classified as a:
(A) Cash Cow
(B) Star
(C) Question Mark
(D) Dog

19. Consider the following statements about the GE Business Model (McKinsey Matrix):
a. It uses market attractiveness and business strength as its two dimensions.
b. It is a nine-cell matrix.
c. It is simpler and has fewer dimensions than the BCG matrix.
d. It recommends strategies of "invest/grow", "selective/earn", and "harvest/divest".
e. It primarily focuses on market share and

40. Given below are two statements, one labeled as Assertion (A) and the other labeled as Reason (R):
Assertion (A): In Value Chain Analysis, support activities are less important than primary activities.
Reason (R): Support activities like procurement and HR management provide the infrastructure that allows primary activities to be performed effectively.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

41. Which of the following is considered a growth strategy under corporate strategy?
(A) Turnaround
(B) Divestment
(C) Concentration
(D) Liquidation

42. Identify the correct pair related to Ansoff's Matrix.
(A) Market Development : Existing Product, New Market
(B) Market Penetration : New Product, New Market
(C) Product Development : Existing Product, New Market
(D) Diversification : Existing Product, Existing Market

43. Consider the following challenges:
a. Resistance to change from employees.
b. Lack of clear communication of the new strategy.
c. Insufficient resources allocated for implementation.
d. Over-analysis during the formulation stage.
e. A corporate culture that is misaligned with the new strategy.
Which of the above are challenges commonly associated with strategy implementation?
(A) a, d, and e only
(B) b, c, and d only
(C) a, b, c, and e only
(D) All of the above

44. The marketing concept that focuses on creating, delivering, and communicating superior customer value is the:
(A) Production orientation
(B) Holistic marketing orientation
(C) Selling orientation
(D) Product orientation

45. The term "value network" in marketing channels refers to:
(A) The physical path that goods take from producer to consumer.
(B) The financial connections between a firm and its investors.
(C) A system of partnerships and alliances that a firm creates to source, augment, and deliver its offerings.
(D) A social media network used for promoting products.

46. Which of the following is the most appropriate description of a "Dog" in the BCG Matrix?
(A) A business unit with high growth and high market share.
(B) A business unit that generates more cash than it needs to maintain its market share.
(C) A business unit with low market share in a high-growth market.
(D) A business unit with low market share in a low-growth market.

47. The process of evaluating each market segment's attractiveness and selecting one or more segments to enter is called:
(A) Market Targeting
(B) Market Segmentation
(C) Market Positioning
(D) Market Analysis

48. Match the items in List I with the items in List II regarding pricing strategies.
List I: (Strategy)
P. Price Skimming
Q. Penetration Pricing
R. Psychological Pricing
S. Cost-Plus Pricing
List II: (Description)
1. Setting a price at ₹99 instead of ₹100.
2. Adding a standard markup to the cost of the product.
3. Setting a high initial price for a new,

Downloaded from www.pdf.tube

29. A company that decides to target several market segments and designs separate offers for each is using which targeting strategy?
(A) Undifferentiated marketing
(B) Concentrated marketing
(C) Differentiated marketing
(D) Micromarketing

30. Consider the following statements:
Statement I: Market Positioning is the act of designing the company's offering and image to occupy a distinctive place in the target market's mind.
Statement II: Market Segmentation is the process of selecting which segments to enter.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

31. The combination of all products and items that a particular seller offers for sale is called its:
(A) Product Mix
(B) Product Line
(C) Product Category
(D) Product Portfolio

32. During which stage of the Product Life Cycle are sales at their peak and profits are high, but may start declining due to increased competition?
(A) Introduction
(B) Maturity
(C) Growth
(D) Decline

33. Which of the following is NOT a stage in the conventional new product development process?
(A) Idea generation
(B) Market segmentation
(C) Concept testing
(D) Commercialization

34. Setting a low initial price for a new product to attract a large number of buyers quickly and win a large market share is known as:
(A) Market Penetration Pricing
(B) Price Skimming
(C) Psychological Pricing
(D) Value-Based Pricing

NODIA

35. A vertical marketing system (VMS) in which independent firms at different levels of production and distribution join together through contracts is called a:
(A) Corporate VMS
(B) Administered VMS
(C) Contractual VMS
(D) Horizontal VMS

36. Integrated Marketing Communications (IMC) is a concept whereby a company:
(A) Concentrates all marketing efforts on a single communication medium like television.
(B) Separates advertising, public relations, and sales promotion into specialized departments.
(C) Depends exclusively on personal selling techniques to communicate value to the customer.
(D) Coordinates various communication channels to deliver a clear, consistent message.

37. Which of the following is an example of a sales promotion tool targeted at consumers?
(A) Trade shows
(B) Sales contests for salespeople
(C) Coupons
(D) Allowances for retailers

38. The "P" in the PEST analysis framework specifically refers to which environmental factor?
(A) Performance
(B) Political
(C) Potential
(D) Pricing

39. In the context of strategic types, a "Prospector" is an organization that:
(A) Seeks to maintain a stable, limited line of products or services.
(B) Responds to environmental pressures only when forced to do so.
(C) Operates in two or more different product-market areas.
(D) Frequently innovates, seeks new market opportunities, and grows.

272. (B) investors perceive current, certain dividend payments as less risky than potential future gains.
This concept is based on the idea that immediate cash payments are more valuable to investors than the possibility of future price appreciation. Because future growth is inherently uncertain and risky, market participants often prefer the tangible benefit of a dividend today. This preference implies that companies paying regular dividends may be more highly valued by reducing shareholder risk perceptions.

273. (D) communicate management's outlook on the firm's future prospects.
Changes in the amount of money a company pays to its shareholders often act as a message to the public regarding internal expectations. Because management has access to more detailed information than outside investors, a decision to increase payments is usually interpreted as a sign of confidence. Conversely, a reduction might indicate that the company expects financial challenges ahead.

274. (A) The firm's available investment opportunities.
When deciding how much of its earnings to distribute, a company must consider its internal needs for growth capital. If there are many profitable projects available, the firm might choose to retain more earnings to fund these ventures rather than paying them out as dividends. This balance ensures that the company does not miss out on valuable expansion opportunities.

275. (C) It involves a trade-off between theoretical models and the firm's practical circumstances.
Creating an effective payout strategy is a complex task that requires weighing different financial theories against the company's unique operational situation. Managers cannot simply follow a single rule; they must account for current cash levels, future capital requirements, and market expectations. This nuanced approach ensures that the chosen policy supports long-term strategic goals while maintaining necessary investor confidence.

276. (A) To create value for the firm and its shareholders.
The fundamental reason companies engage in complex corporate restructuring events is to improve their overall economic worth. By combining resources or entering new markets, the involved firms aim to generate benefits that would not be possible as separate entities. This focus on long-term wealth generation serves as the guiding principle for selecting targets and negotiating terms throughout the process.

277. (D) a significant amount of debt.
This particular acquisition strategy relies heavily on using external loans to fund the purchase of another company. Often, the assets of the business being acquired serve as the guarantee for these borrowed funds. This allows the buyer to complete a large transaction with relatively little of their own capital, though it also introduces a high level of financial risk.

278. (B) The acquirer and target firm agree on the deal's terms.
During this vital stage of the acquisition process, the leaders of both organizations meet to establish the formal parameters of the agreement. Key discussions center around the final purchase price, whether payment will be in cash or stock, and how the new combined entity will be managed. Success in these discussions is essential for the legal completion of transactions.

279. (C) By achieving economies of scale and realizing synergies.
Value is often generated when two companies combine to operate more efficiently than they could separately. This can occur through the reduction of overlapping costs or by increasing production volume to lower per-unit expenses. Additionally, the merger might allow the firms to share expertise and technology, creating a stronger competitive position in the market and leading to increased profitability.

280. (D) Success is determined by the long-term value generated post-acquisition.
Evaluating whether a corporate combination was truly beneficial requires looking far beyond the date the transaction was finalized. Real success is demonstrated through the sustained improvement of the company's financial performance and the growth of owner wealth over several years. This long-term perspective accounts for the challenges of integrating different corporate cultures and achieving the efficiencies originally promised during negotiations.

Click Here to Buy book on Amazon

innovative product.
4. Setting a low initial price to gain market share quickly.

(A) P-4, Q-3, R-2, S-1
(B) P-3, Q-4, R-1, S-2
(C) P-3, Q-1, R-4, S-2
(D) P-2, Q-4, R-1, S-3

49. What is the fundamental difference between advertising and sales promotion?
(A) Advertising is paid, while sales promotion is free.
(B) Advertising is long-term and brand-building, while sales promotion is short-term and action-oriented.
(C) Advertising uses mass media, while sales promotion does not.
(D) Advertising targets end consumers, while sales promotion targets channel members.

50. Which component of PEST analysis would cover issues like inflation rates, interest rates, and economic growth?
(A) Economic
(B) Political
(C) Social
(D) Technological

51. A firm's ability to exploit its resources and capabilities to create a competitive advantage is central to the:
(A) PEST analysis
(B) Porter's Five Forces model
(C) Resource-Based Approach
(D) Ansoff's Matrix

52. A stability strategy where a company waits for environmental conditions to become more favorable before launching a new growth strategy is known as:
(A) No-change strategy
(B) Profit strategy
(C) Retrenchment strategy
(D) Pause/Proceed-with-caution strategy

53. Consider the following statements regarding the Product Life Cycle (PLC):
a. The PLC concept applies to brands, product forms, and product categories.
b. It is a predictive tool that can precisely forecast sales and profit levels.
c. Strategies for promotion and pricing often need to be changed at each stage.
d. The decline stage is always rapid and leads to the product's immediate withdrawal.

Which of the above statement(s) is/are correct?
(A) a and c only
(B) b and d only
(C) a, b, and c only
(D) a, c, and d only

54. The "Style" element in the McKinsey 7S framework refers to:
(A) The formal organizational chart.
(B) The way key managers behave in achieving organizational goals.
(C) The dominant values and beliefs of the organization.
(D) The formal systems and procedures of the company.

NODIA

55. Consider the following statements:
Statement I: In a corporate VMS, successive stages of production and distribution are under single ownership.
Statement II: In an administered VMS, leadership is assumed not through common ownership or contracts, but through the size and power of one of the members.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

56. The bargaining power of buyers is higher when:
(A) There are few buyers and many sellers.
(B) The products they are buying are highly differentiated.
(C) They purchase in small volumes.
(D) Switching costs for buyers are high.

57. A growth strategy where a company seeks to grow by acquiring a competitor is known as:
(A) Forward integration
(B) Backward integration
(C) Horizontal integration
(D) Conglomerate diversification

58. In the BCG matrix, the vertical axis represents:
(A) Market Growth Rate
(B) Relative Market Share
(C) Business Strength

(D) Industry Attractiveness

59. The 'T' in SWOT analysis refers to an element that is:
(A) Internal to the organization and positive.
(B) Internal to the organization and negative.
(C) External to the organization and positive.
(D) External to the organization and negative.

60. Arrange the typical stages of the New Product Development process in the correct chronological sequence.
1. Business Analysis
2. Idea Screening
3. Concept Development and Testing
4. Product Development
(A) 2, 3, 1, 4
(B) 1, 2, 3, 4
(C) 2, 1, 3, 4
(D) 3, 2, 1, 4

61. What is the primary focus of the "Production Concept" in marketing?
(A) Implementing aggressive sales tactics and widespread promotional efforts.
(B) Deeply understanding and satisfying the specific needs of consumers.
(C) Achieving high efficiency, low costs, and mass market distribution.
(D) Developing high-quality, innovative, and technologically advanced products.

62. Positioning a product based on how it is used or under what circumstances it is used is an example of:
(A) Attribute positioning
(B) Benefit positioning
(C) Competitor positioning
(D) Use or Application positioning

63. Which of the following pricing strategy involves setting the price based on the perceived or estimated value to the customer rather than on the cost of the product?
(A) Value-based pricing
(B) Cost-plus pricing
(C) Competition-based pricing
(D) Target return pricing

64. A marketing channel that has no intermediary levels between the manufacturer and the customer is called a:
(A) Indirect marketing channel
(B) Direct marketing channel
(C) Hybrid channel
(D) Multi-level channel

65. Given below are two statements, one labeled as Assertion (A) and the other labeled as Reason (R):
Assertion (A): The IMC approach is necessary in the modern marketing environment because consumers are bombarded with thousands of marketing messages daily.
Reason (R): A unified and consistent message across various channels is more likely to cut through the clutter and be remembered by the consumer.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

66. Which one of the following is NOT a type of corporate retrenchment strategy?
(A) Concentric Diversification
(B) Turnaround
(C) Divestment
(D) Liquidation

67. In the GE Business Model, the two axes used for plotting business units are:
(A) Market Growth Rate and Relative Market Share
(B) Product Quality and Market Size
(C) Industry Attractiveness and Business Strength
(D) Innovation Level and Profit Margin

68. Which of the following is an example of a "soft" element in the McKinsey 7S Framework?
(A) Systems
(B) Strategy
(C) Structure
(D) Shared Values

69. Consider the following statements about a "Question Mark" in the BCG matrix:

Downloaded from www.pdf.tube

a. It has a high market share in a high-growth market.
b. It has a low market share in a high-growth market.
c. It requires significant cash investment to grow its market share.
d. It generates very little cash for the company.
e. It is also known as a "problem child".

Which of the above statement(s) is/are correct?
(A) a, c, and d only
(B) b, c, and e only
(C) a, d, and e only
(D) b, d, and e only

70. The key difference between market segmentation and market targeting is that segmentation is about _____, while targeting is about _____.
(A) selection; division
(B) division; selection
(C) positioning; division
(D) selection; positioning

71. The "Product" component of the marketing mix involves decisions about:
(A) Selecting the physical location and retail outlets where the product is sold.
(B) Determining the specific monetary amount a customer pays for the final product.
(C) Designing the communication strategy used to promote the product to the public.
(D) Deciding on features, design, branding, and packaging of the good or service.

72. In Porter's Five Forces model, the "threat of substitute products" refers to:
(A) The threat from products in other industries that can perform the same function.
(B) The threat from rival firms offering similar products.
(C) The threat from new companies entering the industry.
(D) The threat from suppliers integrating forward.

73. The strategic management process is typically conceptualized as a sequence of three main stages. Which of the following represents the correct sequence?
(A) Implementation, Formulation, Evaluation
(B) Analysis, Implementation, Control
(C) Formulation, Implementation, Evaluation
(D) Formulation, Control, Implementation

74. A corporate strategy of seeking growth by developing new products for existing markets is defined by Ansoff as:
(A) Product Development
(B) Market Penetration
(C) Market Development
(D) Diversification

75. Match the items in List I with the items in List II concerning the McKinsey 7S Framework.
List I: (Element)
P. Structure
Q. Systems
R. Staff
S. Skills
List II: (Description)
1. The formal and informal procedures that run the organization daily.
2. The organizational chart and reporting lines.
3. The distinctive capabilities and competencies of the organization.
4. The personnel of the organization and their characteristics.
(A) P-1, Q-2, R-3, S-4
(B) P-2, Q-1, R-4, S-3
(C) P-2, Q-3, R-1, S-4
(D) P-4, Q-1, R-2, S-3

76. The "Selling Concept" holds that:
(A) Consumers will favor products that are widely available and highly affordable.
(B) Consumers, if left alone, will not buy enough of the firm's products.
(C) The key to achieving goals is to be more effective than competitors in satisfying customer needs.
(D) The company should deliver a superior product through quality and innovation.

77. A pricing strategy where a firm sets a few price levels for an entire line of products is called:
(A) Optional-product pricing
(B) Captive-product pricing
(C) Product line pricing
(D) By-product pricing

NODIA

139. A 'liquidation' strategy is characterized by:
(A) The selling of a business unit as a going concern.
(B) A temporary halt in strategic initiatives.
(C) The termination of the firm and the sale of its assets.
(D) A series of cost-cutting and asset-reduction measures.

140. Match the items in List I with the items in List II regarding Corporate Strategies.
List I:
P. Horizontal Integration
Q. Forward Integration
R. Backward Integration
S. Conglomerate Diversification
List II:
1. A steel manufacturer acquiring an iron ore mining company.
2. A shoe manufacturer opening its own retail stores.
3. A software company acquiring a fast-food chain.
4. An airline merging with another airline.
(A) P-1, Q-2, R-3, S-4
(B) P-4, Q-2, R-1, S-3
(C) P-4, Q-1, R-2, S-3
(D) P-3, Q-4, R-1, S-2

141. The core principle of the Resource-Based Approach is that the source of competitive advantage lies in the:
(A) Structure of the specific industry in which a firm competes.
(B) Government mandates and existing macroeconomic conditions.
(C) Firm's total market share and its relative scale of operations.
(D) Firm's ability to deploy unique, valuable, and hard-to-imitate resources.

142. In Michael Porter's value chain, "inbound logistics," "operations," and "outbound logistics" are categorized as:
(A) Support Activities
(B) Primary Activities
(C) Ancillary Activities
(D) Tertiary Activities

143. Which of the following trends is a significant factor shaping modern marketing?
(A) A decrease in consumer empowerment.
(B) The decline of digital media and the internet.
(C) A shift away from relationship marketing.
(D) Increased globalization and competition.

144. The 'depth' of a product mix refers to:
(A) The number of different product lines the company carries.
(B) The total number of items within the product lines.
(C) The financial value of the entire product portfolio.
(D) The number of versions offered of each product in the line.

145. A contractual VMS can take all of the following forms EXCEPT:
(A) Corporate-owned retail outlets
(B) Wholesaler-sponsored voluntary chains
(C) Retailer cooperatives
(D) Franchise organizations
(A) Corporate-owned retail outlets

146. Which of the following correctly identifies the four growth strategies in Ansoff's Matrix?
(A) Market Penetration, Market Development, Product Development, Diversification
(B) Market Penetration, Market Skimming, Product Leadership, Diversification
(C) Cost Leadership, Differentiation, Focus, Integration
(D) Growth, Stability, Retrenchment, Diversification

147. A company that ignores market segment differences and goes after the whole market with one offer is practicing:
(A) Differentiated marketing
(B) Concentrated marketing
(C) Undifferentiated marketing
(D) Niche marketing

148. Which of the following is NOT an objective of advertising?
(A) To inform
(B) To persuade
(C) To remind
(D) To set the price

Click Here to Buy book on Amazon

89. A "value chain," as popularized by Michael Porter, is:
(A) A chain of suppliers from whom a company procures raw materials.
(B) The set of intermediaries that help bring the product to the final buyer.
(C) A sequence of activities a firm performs to design, produce, market, deliver, and support its product.
(D) The perceived monetary value of a company's brand.

90. In Porter's framework, rivalry among existing competitors is likely to be high when:
(A) Fixed costs are high and exit barriers are high.
(B) The industry is growing rapidly.
(C) There are few competitors of similar size and power.
(D) Products are highly differentiated.

91. A retrenchment strategy of "divestment" involves:
(A) Shutting down the entire business and selling its assets.
(B) Pausing all new investments to wait for better conditions.
(C) Implementing cost-cutting measures to reverse declining profits.
(D) Selling off a division or part of an organization to raise capital.

92. The marketing orientation that assumes consumers will favor products offering the most quality, performance, or innovative features is the:
(A) Production Concept
(B) Product Concept
(C) Selling Concept
(D) Marketing Concept

93. Consider the following statements related to strategic management:
a. Strategic management is concerned only with long-term objectives.
b. It is a process that involves only top-level management.
c. The process includes analysis of both internal and external environments.
d. It is a static, one-time plan rather than a dynamic process.
e. It links a firm's strategy to its performance and environment.
Which of the above statement(s) is/are correct?
(A) a and b only
(B) c and e only
(C) a, b, and d only
(D) c, d, and e only

94. The stage in the new product development process where the idea is evaluated on its potential for profit and fit with the company's objectives is:
(A) Idea generation
(B) Concept testing
(C) Test marketing
(D) Business analysis

95. In an administered VMS, coordination and conflict management are achieved through:
(A) The size and power of one dominant channel member.
(B) Common ownership of channel members.
(C) Contractual agreements between channel members.
(D) Government regulation and oversight.

96. Which of the following is NOT a component of an Integrated Marketing Communications (IMC) program?
(A) Advertising
(B) Product Pricing
(C) Public Relations
(D) Direct Marketing

97. When a company targets a large share of one or a few smaller segments or niches, it is using a:
(A) Differentiated marketing strategy
(B) Concentrated marketing strategy
(C) Undifferentiated marketing strategy
(D) Mass marketing strategy

98. Arrange the following corporate strategies from typically least to most severe form of retrenchment.
1. Liquidation
2. Turnaround
3. Divestment
(A) 2, 3, 1
(B) 1, 3, 2
(C) 3, 2, 1
(D) 2, 1, 3

Downloaded from www.pdf.tube

99. In the GE business model, a business unit in a "green" zone (high industry attractiveness, high business strength) would typically follow a strategy of:
(A) Harvest or divest
(B) Selective growth
(C) Invest and grow
(D) Hold and maintain

100. Match the items in List I with the items in List II regarding Recommended Strategy for BCG Matrix Quadrants.
List I:
P. Star
Q. Cash Cow
R. Question Mark
S. Dog
List II:
1. Harvest or Divest
2. Hold or Harvest
3. Build or Invest
4. Build or Harvest
(A) P-4, Q-2, R-3, S-1
(B) P-3, Q-2, R-4, S-1
(C) P-4, Q-3, R-2, S-1
(D) P-2, Q-4, R-3, S-1

101. Which of the following is an example of backward integration?
(A) A car manufacturer starting its own chain of dealerships.
(B) A car manufacturer acquiring a tire company.
(C) A car manufacturer acquiring another car manufacturer.
(D) A car manufacturer starting a new line of electric bikes.

102. Which of the following is the best example of a "support activity" in Porter's Value Chain model?
(A) Human Resource Management
(B) Inbound logistics
(C) Marketing and sales
(D) Service

103. The primary goal of a "turnaround" strategy is to:
(A) Sell off unprofitable business units.
(B) Expand into new geographical markets.
(C) Transform the corporation into a leaner, more effective firm.
(D) Liquidate all assets of the company.

104. Which of the following is a key task of marketing management?
(A) Managing human resources
(B) Overseeing the company's financial reporting
(C) Managing the production line
(D) Developing marketing strategies and plans

105. Consider the following statements:
Statement I: Customer satisfaction is a short-term feeling post-purchase.
Statement II: Customer value is the long-term perception of benefits versus costs.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

NODIA

106. The decline stage of the Product Life Cycle is characterized by a fall in sales and profits. A common strategy employed during this stage is:
(A) Investing heavily in promotion to revive the product.
(B) Harvesting the product by reducing costs and milking it for cash.
(C) Expanding the product line with new variations.
(D) Increasing the product's price to maximize revenue from loyal customers.

107. "Psychographic segmentation" divides buyers into different groups based on:
(A) Measurable variables such as age, gender, and income.
(B) Physical location factors such as region, city size, and climate.
(C) Product-related factors such as knowledge, attitude, and usage rate.
(D) Social class, lifestyle, or individual personality characteristics.

108. A company sets a high price for a new product with the intention of reducing it over time. This is an example of:
(A) Price Skimming
(B) Market Penetration Pricing
(C) Odd-Even Pricing
(D) Cost-Plus Pricing

109. Consider the following characteristics:
a. They are rare and have no precedents to follow.
b. They are consequential and require commitment of substantial resources.
c. They are directive and set precedents for lesser decisions.
d. They are routine and programmed.
e. They are easily reversible.
Which of the above statement(s) is/are key characteristics of strategic decisions?
(A) a, d, and e only
(B) a, b, and c only
(C) c, d, and e only
(D) b and d only

110. Given below are two statements, one labeled as Assertion (A) and the other labeled as Reason (R):
Assertion (A): The McKinsey 7S framework emphasizes that "soft" skills are as important as "hard" structural elements for successful strategy implementation.
Reason (R): A brilliant strategy can fail if the company's culture (shared values), management style, and people (staff) do not support it.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

111. What does the term "value networks" in the context of place decisions refer to?
(A) A network of high-value customers.
(B) The company's internal value chain.
(C) The financial valuation of distribution channels.
(D) A system of partnerships that a firm creates to source, augment, and deliver its offerings.

112. The final stage in the strategic management process is:
(A) Strategy Formulation
(B) Strategic Evaluation and Control
(C) Strategy Implementation
(D) Environmental Scanning

113. Ansoff's matrix is a tool for analyzing and planning a company's:
(A) Cost structure
(B) Internal resources
(C) Growth strategies
(D) Competitive environment

114. The "width" of a company's product mix refers to:
(A) The total number of items in the mix.
(B) The number of versions offered of each product in a line.
(C) How closely related the various product lines are.
(D) The number of different product lines the company carries.

115. A key benefit of implementing an Integrated Marketing Communications (IMC) strategy is:
(A) Creation of synergy and a more consistent brand message.
(B) Reduced marketing budget.
(C) Increased specialization within the marketing department.
(D) Elimination of the need for personal selling.

116. In the maturity stage of the PLC, a company might try to modify the market by:
(A) Reducing the number of product features.
(B) Finding new users and new market segments for its brand.
(C) Divesting the product line.
(D) Increasing the price significantly.

117. Which of the following is NOT a type of integration strategy?
(A) Forward integration
(B) Market penetration
(C) Backward integration
(D) Horizontal integration

118. Which concept suggests that a firm's competitive advantage is determined by its ability to manage and leverage its unique bundle of assets and capabilities?
(A) Resource-Based View (RBV)
(B) Industrial Organization (I/O) View
(C) PEST Analysis
(D) Market Orientation

119. A 'corporate' VMS achieves coordination and conflict resolution through:
(A) The sheer size and power of one member.

Click Here to Buy book on Amazon

(B) A series of contracts among channel members.
(C) Single ownership of successive stages of production and distribution.
(D) An informal gentleman's agreement.

120. Match the items in List I with the items in List II regarding Marketing Concept focuses.
List I:
P. Production Concept
Q. Product Concept
R. Selling Concept
S. Marketing Concept
List II:
1. Aggressive promotion
2. Customer needs and wants
3. Product quality and features
4. Availability and affordability
(A) P-4, Q-3, R-1, S-2
(B) P-3, Q-4, R-2, S-1
(C) P-4, Q-1, R-3, S-2
(D) P-1, Q-2, R-3, S-4

121. The main difference between the BCG matrix and the GE Business model is that:
(A) The BCG matrix is more complex and has more cells.
(B) The BCG matrix is used for strategy implementation, while the GE model is for formulation.
(C) The GE model uses a wider range of variables for its two dimensions.
(D) The GE model only applies to manufacturing firms.

122. Arrange the following steps of market segmentation, targeting, and positioning in the correct sequence.
1. Select target segments.
2. Identify bases for segmenting the market.
3. Develop positioning for target segments.
4. Develop profiles of resulting segments.
(A) 2, 4, 1, 3
(B) 1, 2, 4, 3
(C) 2, 1, 4, 3
(D) 4, 2, 1, 3

123. A "cash cow" in the BCG matrix is a business unit that:
(A) Has a low market share in a high-growth market.
(B) Has a high market share in a high-growth market.
(C) Has a low market share in a low-growth market.
(D) Has a high market share in a low-growth market.

124. The 'W' in SWOT analysis stands for an attribute that is:
(A) External and positive
(B) Internal and positive
(C) External and negative
(D) Internal and negative

125. The process of gathering information about events and their relationships within an organization's internal and external environments is known as:
(A) Strategy formulation
(B) Portfolio analysis
(C) Value chain analysis
(D) Environmental scanning

NODIA

126. A stability corporate strategy would be most appropriate for a firm that is:
(A) Seeking rapid growth and market dominance.
(B) Satisfied with its current performance in a stable environment.
(C) Facing severe financial distress and decline.
(D) Looking to enter new international markets.

127. Which of the following is NOT one of Porter's five competitive forces?
(A) Bargaining power of suppliers
(B) Threat of new entrants
(C) Rate of technological change
(D) Rivalry among existing firms

128. What is the primary purpose of developing programs and procedures during strategy implementation?
(A) To analyze the external environment.
(B) To make the strategy action-oriented.
(C) To select the best corporate strategy.
(D) To evaluate the performance of the strategy.

129. Consider the following statements about the McKinsey 7S Framework:
a. It was developed by the Boston Consulting Group.

b. It suggests that all seven elements must be aligned for an organization to be successful.
c. 'Strategy', 'Structure', and 'Systems' are considered the "soft" elements.
d. The framework is primarily a tool for strategy formulation, not implementation.
e. 'Shared Values' are placed at the center, signifying their importance.

Which of the above statement(s) is/are INCORRECT?
(A) a, c, and d only
(B) b and e only
(C) a, b, and c only
(D) c, d, and e only

130. Consider the following statements:
Statement I: Test marketing is an optional stage in the new product development process and is often skipped for products with low risk or high capital investment.
Statement II: Commercialization is the final stage where the new product is launched into the market.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

131. A company adding a new product line in a completely unrelated industry (e.g., a car company starting a hotel chain) is an example of:
(A) Concentric diversification
(B) Horizontal integration
(C) Conglomerate diversification
(D) Vertical integration

132. The 'tasks' of marketing management include all of the following EXCEPT:
(A) Capturing marketing insights
(B) Connecting with customers
(C) Building strong brands
(D) Managing the supply chain logistics

133. When a market is segmented based on the benefits that consumers seek from a product, it is called:
(A) Demographic segmentation
(B) Geographic segmentation
(C) Psychographic segmentation
(D) Behavioral segmentation

134. Given below are two statements, one labeled as Assertion (A) and the other labeled as Reason (R):
Assertion (A): In the growth stage of the PLC, firms focus on building brand preference and increasing market share.
Reason (R): The growth stage is characterized by rapidly rising sales and the entry of new competitors, necessitating a shift from building product awareness to building brand loyalty.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

135. The 'length' of a product mix refers to:
(A) The total number of items a company carries within its product lines.
(B) The number of different product lines carried by the company.
(C) The number of versions offered for each product in the line.
(D) The consistency of the product lines in end use.

136. Which of the following is a key element of promotion decision under the marketing mix?
(A) Packaging
(B) Advertising
(C) Distribution channels
(D) Warranty

137. Which of the following is the most appropriate strategy for a "Question Mark" business unit in the BCG matrix?
(A) Harvest for cash.
(B) Invest heavily to increase market share or divest.
(C) Hold its position and maintain market share.
(D) Immediately liquidate the unit.

138. The internal analysis of a firm's environment aims to identify:
(A) Strengths and Weaknesses
(B) Opportunities and Threats
(C) Political and Economic factors
(D) Market segments and targets

Downloaded from www.pdf.tube

78. The level of customer satisfaction is determined by comparing:
(A) The product's price with the product's cost.
(B) The company's profits with its competitors' profits.
(C) The benefits of a product with the benefits of a competing product.
(D) The product's perceived performance with the customer's expectations.

79. A Vertical Marketing System (VMS) where a channel member called a franchisor links several stages in the production-distribution process is a type of:
(A) Contractual VMS
(B) Corporate VMS
(C) Administered VMS
(D) Integrated VMS

80. A key aspect of internal analysis in strategic management is the Resource-Based Approach. Which of the following is NOT a characteristic of a resource that can provide a sustainable competitive advantage?
(A) Valuable
(B) Abundant
(C) Rare
(D) Inimitable

81. Which strategy from the Ansoff matrix carries the highest risk?
(A) Market Penetration
(B) Diversification
(C) Market Development
(D) Product Development

82. The "shared values" at the center of the McKinsey 7S model represent:
(A) The core values that are shared among the organization's members.
(B) The company's profit-sharing plan.
(C) The market value of the company's stock.
(D) The value proposition offered to the customer.

83. The introduction stage of the Product Life Cycle is characterized by:
(A) High sales and high profits.
(B) Peak sales and declining profits.
(C) Low sales and negative or low profits.
(D) Declining sales and low profits.

84. Consider the following statements:
Statement I: The primary aim of advertising is to generate immediate sales.
Statement II: The primary aim of sales promotion is to build a long-term brand image.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

85. Which of the following would be considered a "threat" in a SWOT analysis for an airline company?
(A) An aging fleet of aircraft.
(B) A strong and positive brand image.
(C) A significant increase in the price of jet fuel.
(D) A new in-flight entertainment system being developed.

NODIA

86. Given below are two statements, one labeled as Assertion (A) and the other labeled as Reason (R):
Assertion (A): In the BCG matrix, "Stars" require substantial cash investment.
Reason (R): Stars operate in high-growth markets and need funds to finance their rapid growth to maintain or increase their market share.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

87. Which of the following is NOT a basis for market segmentation for consumer markets?
(A) Geographic
(B) Demographic
(C) Psychographic
(D) Procurement procedures

88. The activity of creating a clear, distinct, and desirable place relative to competing products in the minds of target consumers is known as:
(A) Positioning
(B) Segmentation
(C) Targeting
(D) Channeling

149. Consider the following statements about corporate strategies:
a. Growth strategies are always the most desirable option for any company.
b. A stability strategy aims to maintain the status quo.
c. Retrenchment strategies are only pursued in times of economic recession.
d. Diversification is a type of growth strategy.
e. Integration can be a form of growth strategy.
Which of the above statement(s) is/are correct?
(A) a, c, and e only
(B) b, d, and e only
(C) a, b, and c only
(D) c, d, and e only

150. In value chain analysis, 'procurement' is considered a:
(A) Primary activity
(B) Support activity
(C) Marketing activity
(D) Service activity

151. "Zero-level channel" is another name for a(n):
(A) Direct marketing channel
(B) Indirect marketing channel
(C) Administered VMS
(D) Contractual VMS

152. Which of the following would be categorized as a weakness in a SWOT analysis for a technology company?
(A) A new government regulation favoring its products.
(B) A strong competitor entering the market.
(C) Outdated manufacturing facilities.
(D) A highly skilled research and development team.

153. The 'systems' element of the McKinsey 7S framework refers to:
(A) The technological systems like IT infrastructure.
(B) The organizational hierarchy and reporting structure.
(C) The social systems and culture within the company.
(D) The formal and informal processes and procedures used to manage the organization.

154. Consider the following statements:
Statement I: In Porter's model, high exit barriers in an industry increase the intensity of rivalry among competitors.
Statement II: High exit barriers force companies to remain and compete in an industry, even if returns are low.
(A) Both Statement I and Statement II are true, and Statement II is the correct explanation of Statement I.
(B) Both Statement I and Statement II are true, but Statement II is not the correct explanation of Statement I.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

155. The key difference between a growth strategy of 'integration' and 'diversification' is that integration involves:
(A) Entering completely new and unrelated markets.
(B) Developing new products for existing markets.
(C) Selling existing products to new segments.
(D) Staying within the same industry or value chain.

156. In the GE Business Model, the 'yellow' zone signifies a strategy of:
(A) Invest/Grow
(B) Selectivity/Earnings
(C) Harvest/Divest
(D) Liquidate

157. The "societal marketing concept" calls upon marketers to balance three considerations. Which of the following is NOT one of them?
(A) Company profits
(B) Competitor strategies
(C) Consumer wants
(D) Society's interests

158. The first stage in the New Product Development process is:
(A) Idea Generation
(B) Idea Screening
(C) Concept Testing
(D) Business Analysis

159. Which pricing strategy is most suitable for the introduction stage of a revolutionary new

Click Here to Buy book on Amazon

(B) Strategy formulation
(C) Defining the mission and vision
(D) Strategy implementation

244. The most significant disadvantage of a horizontal integration strategy can be:
(A) Decreased market share.
(B) Increased competition.
(C) Loss of control over suppliers.
(D) Potential anti-trust issues and regulatory scrutiny.

245. Match the items in List I with the items in List II regarding BCG Matrix Quadrant characteristics.
List I:
P. Star
Q. Cash Cow
R. Question Mark
S. Dog
List II:
1. Low Growth, High Share
2. Low Growth, Low Share
3. High Growth, Low Share
4. High Growth, High Share
(A) P-4, Q-1, R-3, S-2
(B) P-1, Q-4, R-3, S-2
(C) P-4, Q-2, R-1, S-3
(D) P-3, Q-1, R-4, S-2

246. What is the fundamental assumption of the Marketing Concept?
(A) Consumers prioritize product availability and affordability over specific features.
(B) Meeting organizational goals requires delivering customer satisfaction more effectively than competitors.
(C) Consumers require large-scale selling and promotion efforts to purchase sufficient product volumes.
(D) Consumers consistently favor products that provide the highest relative quality and innovation.

247. Test marketing is a stage in the new product development process that involves:
(A) Introducing the product and its proposed marketing program into realistic market settings.
(B) Getting feedback on the product concept from target consumers.
(C) Screening new product ideas to spot good ones.
(D) Reviewing the sales, costs, and profit projections for a new product.

248. The choice between a skimming price and a penetration price is most relevant during the _____ stage of the product life cycle.
(A) Growth
(B) Introduction
(C) Maturity
(D) Decline

249. Consider the following factors:
a. Political factors, such as government stability and regulation.
b. Environmental factors, such as pollution and climate change.
c. Social factors, including demographics and cultural trends.
d. Technological factors, such as R&D activity and automation.
e. Economic factors, such as inflation and interest rates.
Which of the above are typically identified as the elements of a PEST or PESTLE analysis?
(A) a, c, and e only
(B) a, c, d, and e only
(C) a, b, and e only
(D) All of the above

250. The ultimate goal of strategic management is to:
(A) Achieve and maintain a sustainable competitive advantage.
(B) Maximize short-term profits.
(C) Create the most detailed strategic plan possible.
(D) Eliminate all business risks.

Direction : Please read the following source carefully.

Strategic management is a comprehensive and ongoing process that organizations utilize to formulate and implement strategies aimed at achieving a sustained competitive advantage. This process is not a static event but a dynamic cycle involving strategic analysis, strategy formulation, and strategy implementation, followed by evaluation and control. The core purpose is to align the organization's internal capabilities with the opportunities and threats present in its external environment. Strategic decisions within

NODIA

techniques.

169. Which of the following would NOT be considered a challenge of change during strategy implementation?
(A) Employee resistance to new processes.
(B) Inadequate communication from leadership.
(C) A stable and predictable external environment.
(D) Misalignment between the new strategy and existing organizational culture.

170. Consider the following statements about strategic management:
a. It is exclusively an analytical process.
b. It is exclusively an emergent and intuitive process.
c. It is a future-oriented process.
d. It is concerned with the long-term direction and scope of an organization.
e. It is only relevant for large, for-profit organizations.
Which of the above statement(s) is/are correct?
(A) a and e only
(B) c and d only
(C) a, b, and e only
(D) c, d, and e only

171. The "E" in PEST analysis stands for:
(A) Environmental
(B) Ethical
(C) External
(D) Economic

172. A key assumption of the Resource-Based Approach is that:
(A) All firms within an industry have identical resources.
(B) Resources are heterogeneous and not perfectly mobile.
(C) Resources are perfectly mobile across firms.
(D) The industry environment is the primary determinant of profitability.

173. The most common form of corporate growth strategy is:
(A) Diversification
(B) Liquidation
(C) Concentration
(D) Divestment

174. In the Ansoff matrix, which strategy involves the least risk?
(A) Diversification
(B) Market Development
(C) Product Development
(D) Market Penetration

175. The central idea of the McKinsey 7S model is:
(A) All seven elements must align and interplay to determine organizational effectiveness.
(B) Strategy is consistently the most crucial element for overall corporate success.
(C) Hard structural elements are fundamentally more important than softer human elements.
(D) The model serves as a qualitative substitute for quantitative financial analysis.

NODIA

176. Which of the following is NOT a level of market segmentation?
(A) Mass marketing
(B) Brand marketing
(C) Segment marketing
(D) Niche marketing

177. The 'Product Mix' refers to:
(A) The specific assortment of products sold by a single retailer.
(B) The complete set of all products and items offered by a seller.
(C) The blend of marketing communication tools used by a firm.
(D) The combination of raw materials used to create a product.

178. Arrange the following marketing channel levels from shortest (fewest intermediaries) to longest (most intermediaries).
1. Manufacturer → Wholesaler → Retailer → Consumer
2. Manufacturer → Consumer
3. Manufacturer → Retailer → Consumer
(A) 1, 3, 2
(B) 2, 3, 1
(C) 3, 2, 1
(D) 2, 1, 3

179. The fundamental purpose of advertising is to:
(A) Provide short-term incentives to purchase.
(B) Directly facilitate a face-to-face sale.
(C) Create awareness and build a brand image

over time.
(D) Manage unfavorable publicity.

180. A firm's mission statement is a declaration of its:
(A) Financial goals for the upcoming year.
(B) Desired future state or aspiration.
(C) Specific, measurable objectives.
(D) Core purpose or reason for being.

181. In Porter's Five Forces model, which factor would decrease the "Bargaining Power of Buyers"?
(A) Buyers purchase in large volumes.
(B) Buyers face high switching costs.
(C) The industry's products are standardized or undifferentiated.
(D) There are many alternative suppliers.

182. A turnaround strategy is a form of:
(A) Retrenchment strategy
(B) Stability strategy
(C) Growth strategy
(D) International strategy

183. Consider the following statements:
Statement II: The GE Model uses multiple factors to assess industry attractiveness and business strength, whereas the BCG matrix uses single measures (market growth and market share).
Statement I: The GE Business Model is a more sophisticated extension of the BCG Matrix.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

184. The "Staff" element in the McKinsey 7S framework refers to:
(A) The organization's key competencies.
(B) The leadership style of top management.
(C) The formal rules and procedures.
(D) The number of employees and their capabilities.

185. The marketing concept that may be most appropriate when demand for a product exceeds the supply is the:
(A) Marketing concept
(B) Selling concept
(C) Production concept
(D) Societal marketing concept

186. Which of the following is NOT a type of pricing strategy?
(A) Cost-based pricing
(B) Channel-based pricing
(C) Value-based pricing
(D) Competition-based pricing

187. "Vertical Marketing Systems (VMS)" were developed to:
(A) Increase competition among channel members.
(B) Eliminate the need for wholesalers.
(C) Promote direct sales from manufacturer to consumer.
(D) Control channel behavior and manage channel conflict.

188. Which of the following is a component of Integrated Marketing Communications (IMC)?
(A) Public Relations
(B) Channel Management
(C) Pricing
(D) Product Design

189. Consider the following elements of the McKinsey 7S model:
a. Skills
b. Strategy
c. Staff
d. Structure
e. Systems
Which of the above are typically identified as "hard S's"?
(A) a, b, and c only
(B) b, d, and e only
(C) a, c, and e only
(D) c, d, and e only

190. Given below are two statements, one labeled as Assertion (A) and the other labeled as Reason (R):
Assertion (A): Strategy implementation is often considered more difficult than strategy formulation.
Reason (R): Implementation requires managing change, overcoming resistance, and coordinating activities across the entire organization, which involves complex human and organizational dynamics.

Downloaded from www.pdf.tube

(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

191. A "perceptual map" is a tool used in:
(A) Market segmentation
(B) Market targeting
(C) New product development
(D) Market positioning

192. Which corporate strategy involves adding new, but related products or services?
(A) Conglomerate diversification
(B) Concentric diversification
(C) Horizontal integration
(D) Stability strategy

193. The concept of "Customer Value" is best described as the customer's evaluation of:
(A) Perceived benefit differences between a specific offer and competitors.
(B) Relationship between basic product features and the set retail price.
(C) Quality of the technical after-sale service provided by the company.
(D) Total objective quality of a product regardless of the final price.

194. Which stage of the Product Life Cycle sees the most intense competition as firms fight for market share?
(A) Introduction
(B) Growth
(C) Maturity
(D) Decline

195. Match the items in List I with the items in List II regarding framework purposes.
List I:
P. Porter's Five Forces
Q. Value Chain Analysis
R. SWOT Analysis
S. Ansoff's Matrix
List II:
1. Identifying growth opportunities
2. Analyzing industry competitiveness
3. Auditing internal and external factors
4. Identifying sources of competitive advantage within a firm
(A) P-2, Q-4, R-3, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-2, Q-3, R-4, S-1
(D) P-4, Q-1, R-2, S-3

NQDIA

196. The main objective of a "Harvest" strategy for a business unit is to:
(A) Invest heavily to grow market share.
(B) Generate maximum short-to-medium-term cash flow with minimal new investment.
(C) Sell or liquidate the business unit.
(D) Maintain the current market position at all costs.

197. A key benefit of market segmentation is that it allows a company to:
(A) Reduce its total marketing expenditure.
(B) Better match its marketing mix to the needs of specific groups of customers.
(C) Offer a single product to the entire market.
(D) Eliminate competition.

198. The marketing mix element that deals with supply chain management and logistics is:
(A) Place
(B) Product
(C) Price
(D) Promotion

199. A 'franchise' organization is the most common type of:
(A) Corporate VMS
(B) Administered VMS
(C) Contractual VMS
(D) Horizontal Marketing System

200. What is a key difference between corporate strategy and business strategy?
(A) Corporate strategy is about how to compete; business strategy is about which businesses to be in.
(B) There is no difference; the terms are interchangeable.
(C) Corporate strategy is for the short term; business strategy is for the long term.
(D) Corporate strategy is about which businesses to be in; business strategy is about how to compete in a particular business.

201. Which of the following is NOT a potential benefit of a growth strategy through integration?
(A) Increased control over suppliers or distributors.
(B) Increased complexity and potential for cultural clashes.
(C) Reduced competition.
(D) Access to new markets or technologies.

202. The Resource-Based Approach suggests that resources must be V.R.I.N. to provide sustainable competitive advantage. What does 'N' stand for?
(A) Non-substitutable
(B) Necessary
(C) Novel
(D) Negotiable

203. Which of the following marketing orientations is most likely to lead to long-term customer relationships?
(A) The Production Concept
(B) The Selling Concept
(C) The Marketing Concept
(D) The Product Concept

204. "Idea screening" in new product development is the process of:
(A) Generating as many ideas as possible.
(B) Turning an idea into a detailed concept.
(C) Testing the product in a realistic market setting.
(D) Reducing the number of ideas to spot good ones and drop poor ones.

205. Consider the following statements:
Statement I: The promotion mix is the specific blend of advertising, sales promotion, public relations, personal selling, and direct marketing tools.
Statement II: Integrated Marketing Communications (IMC) argues for keeping these promotional tools separate to maximize their individual impact.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

206. In the PEST framework, an analysis of demographics, lifestyles, and social values falls under which category?
(A) Political
(B) Socio-cultural
(C) Economic
(D) Technological

207. A firm that operates with a "no-change" strategy is adopting a form of:
(A) Growth strategy
(B) Retrenchment strategy
(C) Combination strategy
(D) Stability strategy

208. Consider the following statements regarding the BCG Matrix:
a. It is also known as the Growth-Share Matrix.
b. It was developed by McKinsey & Company.
c. It uses relative market share and market growth rate as its dimensions.
d. "Dogs" should always be divested immediately.
e. "Cash Cows" are the primary source of funds for other business units.
Which of the above statement(s) is/are correct?
(A) a, b, and d only
(B) a, c, and e only
(C) b, c, and d only
(D) c, d, and e only

209. The fundamental logic of the McKinsey 7S framework is that:
(A) If you have the right strategy, the other elements will fall into place.
(B) Organizational effectiveness depends on the alignment and interaction of multiple factors.
(C) Soft skills are ultimately more important than hard structures.
(D) A strong organizational structure can compensate for a strategy.

210. The process of creating a mental image or "position" of a product in the mind of the target consumer is called:
(A) Positioning
(B) Segmentation
(C) Targeting
(D) Advertising

211. Which of the following is NOT a type of pricing strategy?
(A) Skimming

Click Here to Buy book on Amazon

(B) Penetration
(C) Psychological
(D) Integration

212. Given below are two statements, one labeled as Assertion (A) and the other labeled as Reason (R):
Assertion (A): The choice of marketing channels can be a source of competitive advantage.
Reason (R): A well-designed and managed channel system makes the product available where, when, and how customers want to buy it, which can be difficult for competitors to replicate.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

213. Strategic decisions are characterized by all of the following EXCEPT:
(A) They are long-term in nature.
(B) They are easily reversible.
(C) They are made by top management.
(D) They require the commitment of significant resources.

214. A firm's decision to launch a new advertising campaign is best described as a:
(A) Strategic decision
(B) Corporate decision
(C) Operational decision
(D) Tactical decision

215. In value chain analysis, 'Service' (e.g., installation, repair, training) is classified as a:
(A) Primary activity
(B) Support activity
(C) Infrastructural activity
(D) Procurement activity

216. A company pursuing a retrenchment strategy by selling off a division that is still profitable but no longer fits its core strategy is engaging in:
(A) Liquidation
(B) Divestment
(C) Turnaround
(D) Harvesting

217. Match the items in List I with the items in List II regarding Ansoff's Matrix descriptions.
List I:
P. Market Penetration
Q. Market Development
R. Product Development
S. Diversification
List II:
1. New product in a new market
2. Existing product in a new market
3. New product in an existing market
4. Existing product in an existing market
(A) P-4, Q-2, R-3, S-1
(B) P-1, Q-3, R-2, S-4
(C) P-4, Q-3, R-2, S-1
(D) P-2, Q-4, R-1, S-3

218. In the McKinsey 7S model, the 'hard' elements are typically easier to change because they are:
(A) More tangible and can be influenced by management directly.
(B) Less important to the organization's success.
(C) Controlled by external forces.
(D) Based on the informal culture of the company.

NODIA

219. The "Marketing Concept" is a philosophy that puts the _____ at the center of all business decisions.
(A) Product
(B) Salesperson
(C) Customer
(D) Company's profit

220. The key to successful market positioning is to create a:
(A) Broad product line
(B) Low-price guarantee
(C) Complex advertising message
(D) Unique Selling Proposition (USP)

221. Which stage of the Product Life Cycle is typically the most profitable for the pioneering company?
(A) Introduction
(B) Maturity
(C) Decline
(D) Growth

222. Which of the following is NOT an advantage of a direct marketing channel?
(A) More control over the selling process.

technology product for which there are no direct competitors?
(A) Penetration pricing
(B) Competition-based pricing
(C) Skimming pricing
(D) Cost-plus pricing

160. Which of the following is an incorrect pair?
(A) PEST Analysis : External Environment
(B) Value Chain Analysis : Internal Environment
(C) BCG Matrix : Corporate Strategy Formulation
(D) McKinsey 7S Framework : External Competitor Analysis

161. A 'retrenchment' strategy becomes necessary when a firm:
(A) Wishes to grow faster than the industry average.
(B) Has a weak competitive position in some or all of its product lines resulting in poor performance.
(C) Is performing well but wants to consolidate its position.
(D) Wants to acquire its suppliers or distributors.

162. Given below are two statements, one labeled as Assertion (A) and the other labeled as Reason (R):
Assertion (A): The objective of SWOT analysis is to develop strategies that align a firm's internal capabilities with its external environment.
Reason (R): A SO (Strengths-Opportunities) strategy, for example, uses internal strengths to take advantage of external opportunities.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

163. Dividing a market into nations, states, regions, or cities is an example of:
(A) Demographic segmentation
(B) Psychographic segmentation
(C) Geographic segmentation
(D) Behavioral segmentation

164. The primary challenge during strategy implementation that involves aligning the organization's culture, structure, and resources with the new strategy is a challenge of:
(A) Financial management
(B) Marketing communication
(C) Product development
(D) Change management

165. Match the items in List I with the items in List II regarding primary marketing objectives for each PLC stage.
List I:
P. Introduction
Q. Growth
R. Maturity
S. Decline
List II:
1. Maximize market share
2. Reduce expenditure and milk the brand
3. Create product awareness and trial
4. Maximize profit while defending market share
(A) P-1, Q-3, R-4, S-2
(B) P-3, Q-1, R-2, S-4
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-1, S-3

166. Which statement best describes a marketing channel?
(A) A form of advertising through television.
(B) A set of interdependent organizations involved in the process of making a product available for use or consumption.
(C) The process of setting a price for a product.
(D) A customer service hotline.

167. In the BCG matrix, the horizontal axis represents:
(A) Market Growth Rate
(B) Industry Attractiveness
(C) Business Strength
(D) Relative Market Share

168. The "Product Concept" can lead to "marketing myopia" because:
(A) It can lead to an excessive focus on the product itself, rather than the benefits and solutions it provides.
(B) It focuses too much on consumer needs and wants.
(C) It prioritizes low-cost production over everything else.
(D) It relies too heavily on aggressive selling

Downloaded from www.pdf.tube

(A) 1, 2, 3
(B) 2, 3, 1
(C) 3, 2, 1
(D) 2, 1, 3

233. The bargaining power of suppliers is low when:
(A) The suppliers are highly concentrated.
(B) There are many substitute inputs available.
(C) The product they sell is unique and critical to the buyer's business.
(D) The industry they are selling to is not an important customer.

234. In the context of value chain analysis, which of the following is a support activity?
(A) Outbound Logistics
(B) Marketing and Sales
(C) Operations
(D) Technology Development

235. The strategy of "divestiture" falls under the broad category of:
(A) Growth strategy
(B) Stability strategy
(C) International strategy
(D) Retrenchment strategy

236. The GE Business Model improves upon the BCG matrix by:
(A) Using only two levels (high and low) for each dimension.
(B) Incorporating a wider range of factors to determine industry attractiveness and business strength.
(C) Focusing solely on cash flow.
(D) Being simpler and quicker to implement.

237. The 'S' (Shared Values) in the McKinsey 7S Framework is placed in the middle to signify that:
(A) It is the least important of the seven elements.
(B) It is the most difficult element to change.
(C) It is the central foundation upon which all other elements are built.
(D) It only applies to non-profit organizations.

238. Consider the following statements:
Statement I: Customer satisfaction is the extent to which a product's perceived performance matches a buyer's expectations.
Statement II: Smart companies aim to delight customers by promising only what they can deliver, then delivering more than they promise.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

239. The most basic level of a product, which addresses the question "What is the buyer really buying?", is called the:
(A) Core Customer Value
(B) Actual Product
(C) Augmented Product
(D) Product Mix

NODIA

240. The main purpose of sales promotion is to:
(A) Build a long-term image for a product.
(B) Stimulate quicker or greater purchase of a product.
(C) Manage public relations and corporate image.
(D) Replace advertising in the promotion mix.

241. "Behavioral segmentation" can be based on all of the following variables EXCEPT:
(A) Occasions
(B) Personality traits
(C) User status
(D) Benefits sought

242. Given below are two statements, one labeled as Assertion (A) and the other labeled as Reason (R):
Assertion (A): A Vertical Marketing System (VMS) is a unified system, while a conventional marketing channel is a fragmented network.
Reason (R): In a VMS, one channel member owns the others, has contracts with them, or has so much power that they all cooperate, which is not the case in a conventional channel where members are independent.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

243. The strategic management process begins with:
(A) Setting objectives

(B) Lower initial investment in infrastructure.
(C) Closer customer relationships.
(D) No sharing of profits with intermediaries.

223. What is the role of 'objectives' in the strategic management process?
(A) They are broad statements of a firm's purpose.
(B) They are the actions taken to implement a strategy.
(C) They are specific, measurable results an organization aims to achieve.
(D) They are analyses of the external environment.

224. Which of the following correctly pairs a component of PEST analysis with a relevant example?
(A) Political : Changes in consumer lifestyles
(B) Technological : Rise of e-commerce and the internet
(C) Economic : New environmental protection laws
(D) Social : Inflation and interest rates

225. A resource is considered 'inimitable' (the 'I' in VRIN) if it is:
(A) Not widely available in the marketplace.
(B) Essential for producing the company's product.
(C) Difficult for competitors to copy or acquire.
(D) Not vulnerable to being replaced by a different resource.

226. When a company introduces a new flavor of their existing soft drink, they are pursuing which strategy from Ansoff's Matrix?
(A) Product Development
(B) Market Penetration
(C) Market Development
(D) Diversification

227. In the BCG matrix, a business unit that has a low market share in a market that is no longer growing is called a:
(A) Star
(B) Question Mark
(C) Cash Cow
(D) Dog

228. Consider the following statements about strategy implementation:
a. It is primarily an operational process.
b. It is less important than strategy formulation.
c. It requires the active involvement of managers at all levels.
d. It can be hindered by a misaligned organizational culture.
e. It is often more time-consuming than strategy formulation.
Which of the above statement(s) is/are correct?
(A) a, b, and c only
(B) b, c, and d only
(C) c, d, and e only
(D) a, c, d, and e only

229. The main aim of Integrated Marketing Communications (IMC) is to:
(A) Focus solely on digital marketing channels.
(B) Allocate the majority of the budget to television advertising.
(C) Ensure all promotional activities deliver a consistent message.
(D) Reduce the role of personal selling.

230. A company's "product line" is a group of products that are closely related because they:
(A) Feature similar functions, target the same groups, or occupy similar price tiers.
(B) Occupy the same chronological stage of the conventional product life cycle.
(C) Undergo manufacturing processes within the same physical industrial facility.
(D) Utilize the identical corporate brand name regardless of their primary function.

231. The "selling concept" is practiced most aggressively with:
(A) Basic necessities like salt.
(B) High-demand luxury items.
(C) Products that have a strong, positive brand image.
(D) Unsought goods, like insurance or blood donations.

232. Arrange the following levels of strategy in a typical corporate hierarchy from highest to lowest.
1. Functional Strategy
2. Corporate Strategy
3. Business-Level Strategy

Click Here to Buy book on Amazon

a firm are typically hierarchical. At the apex is the corporate-level strategy, which addresses the fundamental question of what businesses the organization should be in. Below this is the business-level strategy, which focuses on how to compete successfully within a specific market or industry. Finally, functional-level strategies pertain to the operational methods used by different departments, such as marketing, finance, and R&D, to support the higher-level corporate and business strategies. The types of strategies can range from deliberate, planned initiatives to emergent strategies that arise from autonomous actions within the organization. The overarching goal remains the effective management of an organization's strategy-making process to enhance its long-term performance and ensure its survival and growth in a changing environment.
Based on the above source, attempt the following five questions.

251. Which of the following best describes the nature of the strategic management process?
(A) A singular, annual planning event focused on financial budgeting.
(B) A dynamic and continuous cycle of analysis, formulation, and implementation.
(C) A hierarchical process exclusive to top-level management.
(D) A reactive mechanism to address only short-term operational issues.

252. A company deciding to divest from the consumer electronics market and enter the renewable energy sector is making what type of strategic decision?
(A) Corporate-level strategy
(B) Functional-level strategy
(C) Business-level strategy
(D) Operational-level strategy

253. According to the source, the primary objective of strategic management is to:
(A) minimize operational costs and maximize short-term profits.
(B) ensure strict adherence to departmental budgets and targets.
(C) achieve and maintain a long-term competitive advantage.
(D) develop marketing campaigns for new product launches.

254. The distinction between deliberate and emergent strategies implies that:
(A) all successful strategies are meticulously planned in advance.
(B) strategy can arise from both planned initiatives and autonomous actions.
(C) emergent strategies are always superior to planned strategies.
(D) strategy can arise from both planned initiatives and autonomous actions.

255. In the hierarchy of strategic decisions, a functional-level strategy for a marketing department would focus on:
(A) determining which new industries the company should enter.
(B) deciding how to gain market share against a key competitor.
(C) creating an advertising campaign to support a product launch.
(D) acquiring another company to expand the business portfolio.

Direction : Please read the following source carefully.

Strategic analysis involves a systematic evaluation of both the external and internal environments of an organization to identify strategic factors. The external analysis, in particular, is crucial for pinpointing opportunities and threats that lie outside the direct control of the firm. A widely used framework for this is PEST analysis, which scrutinizes the macro-environment by examining four key dimensions: Political, Economic, Social, and Technological factors. This helps an organization understand the broader trends that could impact its industry and markets. For a more focused examination of the competitive landscape, Porter's Approach to industry analysis, commonly known as the Five Forces Model, is instrumental. This model assesses the inherent profitability of an industry by analyzing the intensity of five competitive forces: the threat of new entrants, the bargaining power of buyers, the bargaining power of suppliers, the threat of substitute products or services, and the intensity of rivalry among existing competitors. A thorough understanding of these forces allows a firm to position itself strategically to better cope with competitive pressures and leverage industry dynamics to its advantage. By combining the broad perspective of PEST analysis

Downloaded from www.pdf.tube

with the industry-specific insights from Porter's model, a firm can construct a comprehensive view of its external environment.

Based on the above source, attempt the following five questions.

256. What is the primary purpose of conducting an external analysis as described in the passage?
(A) To assess the company's internal resource allocation.
(B) To recognize opportunities and threats in the environment.
(C) To identify strengths and weaknesses within the organization.
(D) To determine the firm's core competencies.

257. According to Porter's Approach, an industry is considered less attractive for a firm if:
(A) the bargaining power of buyers and suppliers is low.
(B) the threat of new entrants and substitute products is minimal.
(C) the barriers to entry for new competitors are high.
(D) the rivalry among existing competitors is very intense.

258. A company analyzing the potential impact of new data privacy laws and changing consumer spending habits is primarily conducting a:
(A) PEST Analysis.
(B) Value Chain Analysis.
(C) Resource-Based Analysis.
(D) SWOT Analysis.

259. Which of the following would be considered an examination of the "bargaining power of suppliers" under Porter's Five Forces Model?
(A) Analyzing how easily customers can switch to a competitor's product.
(B) Evaluating the likelihood of new companies entering the market.
(C) Assessing the influence of a small number of critical component providers on industry players.
(D) Investigating the availability of alternative products from other industries.

260. The passage suggests that PEST analysis and Porter's Five Forces model are:
(A) complementary tools for a comprehensive external analysis.
(B) mutually exclusive and should be used independently.
(C) focused primarily on analyzing a firm's internal operations.
(D) outdated frameworks with little relevance in modern business.

Direction : Please read the following source carefully.

While external analysis scans for opportunities and threats, internal analysis is directed at identifying a firm's strengths and weaknesses. This inward-looking assessment is critical for formulating strategies that leverage what the company does best. The Resource-Based Approach (RBA), also known as the Resource-Based View (RBV), provides a powerful lens for this analysis. It posits that a firm's unique bundle of resources and capabilities is its primary source of competitive advantage. For a resource to confer a sustained advantage, it must possess certain characteristics, often summarized as being valuable, rare, difficult to imitate, and non-substitutable. Another key framework for internal analysis is Value Chain Analysis, which disaggregates a firm into its distinct strategic activities to understand how value is created. This model distinguishes between primary activities (like inbound logistics, operations, outbound logistics, marketing and sales, and service) that directly create the product or service, and support activities (like procurement, technology development, human resource management, and firm infrastructure) that enable the primary activities. By examining the cost and value generated at each step, a firm can identify sources of inefficiency to eliminate and activities where it can build a competitive edge through cost leadership or differentiation.

Based on the above source, attempt the following five questions.

261. According to the Resource-Based Approach (RBA), where does a firm's competitive advantage primarily originate?
(A) From its position within an attractive industry.
(B) From its ability to perfectly forecast external trends.
(C) From its aggressive pricing and promotion strategies.

NODIA

(D) From its unique combination of resources and capabilities.

262. In the context of Value Chain Analysis, which of the following is considered a primary activity?
(A) Human Resource Management
(B) Marketing and Sales
(C) Technology Development
(D) Firm Infrastructure

263. A company possesses a proprietary technology that competitors find extremely difficult and costly to duplicate. Based on the RBA, this technology is best described as:
(A) valuable and non-substitutable.
(B) common and easily transferable.
(C) rare and difficult to imitate.
(D) supportive and operational.

264. What is the principal goal of undertaking a Value Chain Analysis?
(A) To survey the political and economic landscape.
(B) To analyze the five competitive forces of an industry.
(C) To assess the bargaining power of buyers and suppliers.
(D) To identify activities within the firm that create value and incur costs.

265. Internal analysis, as described in the passage, is fundamentally concerned with:
(A) identifying the organization's inherent strengths and weaknesses.
(B) predicting competitor moves and market shifts.
(C) discovering new market opportunities and potential threats.
(D) formulating corporate-level diversification strategies.

Direction : Please read the following source carefully.

Strategy formulation is the process of developing a strategic plan by synthesizing the results of internal and external analyses. A central tool in this process is SWOT Analysis, which provides an integrative framework for matching a firm's Strengths and Weaknesses (from internal analysis) with its environmental Opportunities and Threats (from external analysis). Once this strategic context is established, organizations formulate corporate-level strategies that define their overall direction and scope. These strategies can be broadly categorized. Growth strategies are pursued when a firm aims to substantially expand its operations, which can be achieved through integration (horizontal or vertical) or diversification (related or unrelated). Stability strategies are adopted when a company is satisfied with its current performance and chooses to maintain the status quo, often in a stable, low-risk environment. Conversely, a retrenchment strategy is employed when a firm needs to regroup and reduce its scope of operations, often in response to poor performance or a hostile environment. This can involve turnaround, divestment, or liquidation. The choice among these corporate strategies depends on the firm's objectives, its SWOT profile, and the perceived risks and rewards associated with each path.

Based on the above source, attempt the following five questions.

266. What is the primary function of SWOT Analysis in strategy formulation?
(A) To exclusively analyze the external competitive environment.
(B) To serve as an integrative framework matching internal factors with external factors.
(C) To act as a standalone tool for financial forecasting.
(D) To replace the need for internal and external analysis.

267. A large retail company acquiring its primary supplier of raw materials is an example of which type of growth strategy?
(A) Horizontal Integration
(B) Vertical Integration
(C) Unrelated Diversification
(D) Retrenchment

268. Under which of the following circumstances would a firm most likely adopt a stability strategy?
(A) The firm is in a mature industry and is content with its steady performance.
(B) The firm is experiencing rapid financial losses and declining market share.
(C) The firm is operating in a highly volatile and

Click Here to Buy book on Amazon

orientation that holds that the key to achieving organizational goals is being more effective than competitors in creating, delivering, and communicating superior customer value to chosen target markets. This stands in contrast to earlier orientations such as the production concept (focus on efficiency and availability), the product concept (focus on quality and features), and the selling concept (focus on aggressive sales efforts). Contemporary marketing trends emphasize building long-term relationships with customers, a task that hinges on delivering high customer value and ensuring customer satisfaction. Customer value is the perceived benefit that a customer receives from a product or service relative to the cost of acquiring it. It is the customer's assessment of the product's overall capacity to satisfy their needs. Customer satisfaction, in turn, is the feeling of pleasure or disappointment resulting from comparing a product's perceived performance with expectations. A satisfied customer is more likely to make repeat purchases and become a loyal advocate for the brand, making the creation of value and satisfaction central tasks for any market-oriented firm.

Based on the above source, attempt the following five questions.

281. Which marketing orientation is primarily focused on achieving goals by being more effective than rivals in creating and delivering superior customer value?
(A) The Marketing Concept
(B) The Production Concept
(C) The Selling Concept
(D) The Product Concept

282. According to the passage, customer satisfaction is a function of:
(A) the product's price compared to the company's cost.
(B) the product's perceived performance compared to the customer's expectations.
(C) the company's advertising budget versus its competitors'.
(D) the number of features a product has, regardless of customer need.

283. A company that believes customers will favor products that are widely available and inexpensive is operating under which orientation?
(A) The Marketing Concept
(B) The Production Concept
(C) The Selling Concept
(D) The Societal Marketing Concept

284. How is 'customer value' defined in the passage?
(A) The perceived benefit a customer gains relative to the acquisition cost.
(B) The total revenue a customer generates over their lifetime.
(C) The actual production cost of a service.
(D) The price set by the marketing department.

285. The passage suggests that a key task of modern marketing, driven by current trends, is to:
(A) focus solely on aggressive, short-term sales promotions.
(B) maximize production efficiency above all other considerations.
(C) build long-term relationships by ensuring value and satisfaction.
(D) create the most technologically advanced product, irrespective of market demand.

Direction : Please read the following source carefully.

NODIA

Modern marketing strategy revolves around the core practice of market segmentation, targeting, and positioning (STP). This process acknowledges that a single product or marketing approach cannot effectively appeal to all buyers in a mass market. Market segmentation is the strategic process of dividing a large, heterogeneous market into smaller, more homogeneous subgroups of consumers who have similar needs, characteristics, or behaviors. These segments should be measurable, accessible, substantial, and actionable. Once the market has been segmented, the next step is targeting. This involves evaluating the attractiveness of each segment and selecting one or more segments to enter. A firm will choose its target market(s) based on factors like segment size and growth, segment structural attractiveness (e.g., competition, buyer power), and its own objectives and resources. The final step is positioning. After a target segment is chosen, the company must create a clear, distinct, and desirable place for its product in the minds of the target consumers, relative to competing

into primary and support functions.
(C) To provide frameworks for managing a portfolio of businesses and guiding growth strategy.
(D) To assess the intensity of competition within a single industry.

Direction : Please read the following source carefully.

Strategy implementation is the critical and often challenging phase of translating a chosen strategy into organizational action to achieve strategic goals. It is frequently considered more difficult than strategy formulation because it involves managing change and navigating the complexities of an organization's internal workings. A major challenge of change is overcoming organizational inertia and resistance from employees who may be comfortable with existing routines. To facilitate implementation, a well-formulated strategy must be supported by the development of detailed programs, budgets, and procedures that guide day-to-day decisions and actions. The McKinsey 7s Framework offers a holistic model for understanding the interconnected elements that must be aligned for successful implementation. This framework identifies seven key factors: Strategy, Structure, Systems (the formal processes and procedures), Shared Values (the core beliefs and culture), Skills (the organization's competencies), Style (the leadership approach), and Staff (the people). The central premise of the model is that these seven elements are interdependent, and effective organizational change and strategy implementation require that they all work in harmony. A misalignment in any one area can impede the execution of the entire strategy, highlighting the need for a comprehensive approach to implementation.

Based on the above source, attempt the following five questions.

276. Which of the following is identified in the passage as a primary reason why strategy implementation can be more difficult than strategy formulation?
(A) The need to overcome organizational inertia and manage change.
(B) The lack of available strategic models for implementation.
(C) The simplicity of formulating a strategic plan on paper.
(D) The absence of clear financial goals in the strategic plan.

277. According to the McKinsey 7s Framework, which element refers to the formal processes and procedures used to manage the organization, such as performance management and information systems?
(A) Structure
(B) Style
(C) Skills
(D) Systems

278. The central idea of the McKinsey 7s Framework is that:
(A) a brilliant strategy is sufficient for success, regardless of other factors.
(B) organizational success depends on the alignment and interplay of seven key elements.
(C) the seven elements are independent and can be managed in isolation.
(D) 'soft' elements like Style and Skills are less important than 'hard' elements like Strategy and Structure.

279. To effectively translate a strategy into action, the passage suggests that organizations must develop:
(A) broad, high-level philosophical statements.
(B) a new corporate-level strategy immediately.
(C) detailed programs, budgets, and procedures.
(D) a plan to acquire a competing firm.

280. In the McKinsey 7s Framework, the element of 'Shared Values' corresponds to:
(A) the formal reporting lines and organizational chart.
(B) the dominant leadership approach within the company.
(C) the distinctive capabilities of the personnel.
(D) the core beliefs and cultural norms of the organization.

Direction : Please read the following source carefully.

Marketing is a core business function that has evolved significantly from a simple focus on transactions to a sophisticated strategic process. The modern marketing concept is a management

Downloaded from www.pdf.tube

293. A technology company launching a highly innovative smartphone at a very high price to attract early adopters is employing which pricing strategy?
(A) Market-penetration pricing
(B) Cost-based pricing
(C) Value-based pricing
(D) Market-skimming pricing

294. According to the passage, what distinguishes pricing from the other elements of the marketing mix?
(A) It is the only element that involves communication.
(B) It is the only element that directly generates revenue.
(C) It is the least important element for customer perception.
(D) It is the element that is most difficult to change.

295. The concept that a product is best viewed as a bundle of benefits that satisfy a customer need aligns most closely with which marketing perspective?
(A) A production-oriented view focusing on tangible features.
(B) A sales-oriented view focusing on transaction volume.
(C) A customer-centric view focusing on value delivery.
(D) A cost-based view focusing on production efficiency.

Direction : Please read the following source carefully.

The final two elements of the marketing mix, place and promotion, are critical for delivering value and communicating with the target market. Place decisions concern the marketing channels, which are sets of interdependent organizations involved in the process of making a product or service available for use or consumption. These channels form a company's value network, partnering with suppliers and distributors to deliver value to the end customer. A significant evolution in channel management is the Vertical Marketing System (VMS), where producers, wholesalers, and retailers act as a unified system. Unlike a conventional channel, in a VMS one channel member owns the others, has contracts with them, or wields so much power that they all cooperate. Promotion decisions are guided by the concept of Integrated Marketing Communications (IMC). IMC is a strategic process that calls for recognizing all contact points where the customer may encounter the company and its brands and delivering a consistent and compelling message across all these channels. Key tools within the IMC mix include advertising, which is any paid form of nonpersonal presentation of ideas, goods, or services by an identified sponsor, and sales promotion, which consists of short-term incentives to encourage the purchase or sale of a product or service.

Based on the above source, attempt the following five questions.

296. What is the fundamental principle of Integrated Marketing Communications (IMC)?
(A) To focus all promotional budget on a single tool like advertising.
(B) To separate the functions of advertising and public relations completely.
(C) To prioritize short-term sales incentives over brand building.
(D) To deliver a consistent and compelling message across all customer contact points.

297. A Vertical Marketing System (VMS) is characterized by:
(A) a unified system where channel members cooperate under a central leadership or ownership.
(B) independent producers, wholesalers, and retailers each seeking to maximize their own profits.
(C) a focus solely on direct-to-consumer online sales.
(D) a temporary arrangement for a single promotional campaign.

298. A "Buy One, Get One Free" offer is a classic example of which promotional tool?
(A) Advertising
(B) Sales Promotion
(C) Public Relations
(D) Personal Selling

299. According to the passage, what is the primary role of a marketing channel?
(A) To conduct market research and product

NODIA

products. Positioning is the act of designing the company's offering and image to occupy a unique space in the consumer's perception. This is often communicated through the marketing mix and is the foundation upon which brand identity is built.
Based on the above source, attempt the following five questions.

286. What is the correct sequence of the strategic marketing process described in the passage?
(A) Positioning, Targeting, Segmentation
(B) Targeting, Segmentation, Positioning
(C) Positioning, Segmentation, Targeting
(D) Segmentation, Targeting, Positioning

287. The primary purpose of market segmentation is to:
(A) create a single marketing message for the entire market.
(B) set the final price for a product.
(C) divide a diverse market into more uniform subgroups.
(D) design the physical layout of a retail store.

288. The act of creating a clear and distinct image of a product in the consumer's mind relative to competitors is known as:
(A) Targeting.
(B) Positioning.
(C) Segmentation.
(D) Market Research.

289. When a company evaluates the size, growth, and structural attractiveness of different market segments to decide which ones to pursue, it is engaged in:
(A) Positioning.
(B) Market Segmentation.
(C) Product Development.
(D) Targeting.

290. Which of the following is a criterion for an effective market segment, as mentioned in the source?
(A) The segment must be substantial enough to be profitable.
(B) The segment must be heterogeneous and unpredictable.
(C) The segment must be immeasurable to prevent competitor analysis.
(D) The segment must be inaccessible to the company's marketing efforts.

Direction : Please read the following source carefully.

The marketing mix decisions regarding product and pricing are fundamental to a firm's market offering. A product is not just a physical item but a bundle of benefits that satisfy a customer need. The product mix, or product portfolio, refers to the complete set of all products and items a particular seller offers for sale. Key decisions here relate to its width (number of different product lines), length (total number of items in the mix), and depth (number of versions of each product). Most products follow a Product Life Cycle (PLC), which charts a product's sales history through four distinct stages: introduction, growth, maturity, and decline. Each stage presents different challenges and requires a unique marketing strategy. The process of new product development is vital for long-term survival and involves several stages from idea generation to commercialization. Alongside product, pricing is the only marketing mix element that produces revenue. Pricing decisions are complex, with strategies ranging from cost-based approaches to value-based pricing, which uses buyers' perceptions of value as the key. Other strategic pricing types include market-skimming pricing, where a high initial price is set for a new product, and market-penetration pricing, where a low initial price is set to attract a large number of buyers quickly and win market share.
Based on the above source, attempt the following five questions.

291. A company that manufactures cars, trucks, and motorcycles is making a decision related to its:
(A) Product Life Cycle.
(B) Market-penetration pricing.
(C) Product mix width.
(D) New product development process.

292. During which stage of the Product Life Cycle (PLC) does a product typically experience peak sales and intense competition, leading to a focus on differentiation and brand loyalty?
(A) Maturity
(B) Introduction
(C) Growth
(D) Decline

Click Here to Buy book on Amazon

ANSWERS

1. (B) Managerial decisions and actions that determine the long-run performance of a corporation.
Strategic management encompasses the comprehensive set of managerial decisions and actions that directly influence a corporation's long-term success. This process integrates environmental scanning, strategy formulation, implementation, and evaluation. It focuses on aligning organizational resources with external opportunities to achieve sustainable competitive advantage. Unlike routine operational management, strategic management prioritizes long-range goals and the overall direction of the entity to ensure enduring viability in competitive markets.

2. (A) Strategy implementation
Strategy implementation constitutes the phase following formulation in the strategic management lifecycle. This stage transforms formulated plans into organizational actions through the development of specific programs, budgets, and procedures. It involves mobilizing resources and managing change within the organization to achieve intended objectives. Successful implementation ensures that theoretical strategies are effectively translated into practical results, bridging the gap between strategic planning and organizational performance.

3. (C) Tactical decision : Focuses on specific functional areas
Tactical decisions primarily focus on the effective allocation of resources within specific functional departments of an organization. These decisions bridge the gap between broad corporate strategies and daily operational tasks. Unlike strategic decisions, which define long-term direction, tactical choices are generally medium-term and concerned with implementation details. They ensure that departments like marketing or finance operate efficiently to support the overarching organizational goals through targeted, functional actions.

4. (D) A strategic decision
Moving from a single-product to a multi-product firm represents a fundamental change in an organization's scope and market presence. Such choices are classified as strategic because they involve long-term commitments, require significant resource allocation, and are typically made by top-level management. These decisions alter the firm's risk profile and competitive standing. Strategic choices are non-routine and have far-reaching implications for the company's future growth and overall performance trajectory.

5. (C) It is a one-time process completed at the beginning of a business cycle.
Strategic management is an ongoing, dynamic process rather than a static, one-time activity. It requires continuous monitoring of the internal and external environments to adapt to changing conditions. The process involves a repeating cycle of formulation, implementation, and rigorous evaluation. Feedback loops are essential, as results from one phase inform adjustments in others. Treating strategy as a solitary event ignores the volatility of modern business environments and market shifts.

6. (B) Understand the opportunities and threats in the organization's environment.
External analysis focuses on identifying and evaluating factors outside a firm's direct control that can impact its performance. The primary objective is to recognize potential opportunities that the organization can exploit and threats it must mitigate. By examining variables such as industry trends, competitor actions, and macroeconomic shifts, firms can better align their internal capabilities with the external reality. This understanding is crucial for developing robust and effective corporate strategies.

7. (D) Structural factors
The PEST analysis framework is a strategic tool used to analyze macro-environmental factors. It traditionally includes Political, Economic, Social, and Technological dimensions. These categories help organizations understand the external forces

NODIA

development.
(B) To make a product or service available for customer use or consumption.
(C) To set the final retail price of a product.
(D) To design the packaging and branding for a new item.

300. The key distinction of advertising, as defined in the source, is that it is a:
(A) paid form of nonpersonal presentation by an identified sponsor.
(B) nonpersonal form of communication that is not paid for.
(C) personal form of communication between a salesperson and a customer.
(D) short-term incentive to encourage immediate purchase.

www.nodia.in

NODIA

unpredictable market.
(D) The firm has identified numerous untapped opportunities for high-growth expansion.

269. A retrenchment strategy, such as divestment, is typically characterized by:
(A) an expansion of the company's product lines and market presence.
(B) a significant increase in investment in all business units.
(C) a reduction in the company's scope of operations.
(D) the maintenance of the company's current strategic position.

270. The process of strategy formulation, as described in the passage, logically follows:
(A) strategy implementation and control.
(B) functional-level decision-making.
(C) the finalization of the annual operating budget.
(D) strategic analysis of the internal and external environments.

Direction : Please read the following source carefully.

For diversified corporations managing multiple business units, business portfolio analysis is a critical component of strategy formulation. These analytical tools help executives decide how to allocate resources among different Strategic Business Units (SBUs). The Boston Consulting Group (BCG) Growth-Share Matrix is a well-known model that classifies SBUs based on two dimensions: their market growth rate and their relative market share. This classification results in four quadrants: Stars (high growth, high share), Cash Cows (low growth, high share), Question Marks (high growth, low share), and Dogs (low growth, low share). Each category suggests a different strategic direction. Another sophisticated tool is the GE Business Model (or GE/McKinsey Matrix), which provides a more nuanced analysis by using multiple factors to assess industry attractiveness and business strength. A third framework, Ansoff's Product-Market Growth Matrix, offers strategic options for growth. It outlines four potential pathways: Market Penetration (selling more existing products in existing markets), Market Development (selling existing products in new markets), Product Development (selling new products in existing markets), and Diversification (selling new products in new markets). These models provide a structured way to evaluate a company's portfolio and make informed decisions about future growth investments.

Based on the above source, attempt the following five questions.

271. In the BCG Matrix, what is the strategic recommendation for a 'Cash Cow' business unit?
(A) Invest heavily to fuel further rapid growth.
(B) Divest or liquidate the unit immediately.
(C) Harvest the unit for cash to fund other promising units.
(D) Analyze whether to invest more or to divest.

272. A key difference between the BCG Matrix and the GE Business Model is that the GE model:
(A) uses only two simple metrics for its analysis.
(B) uses multiple factors to assess its two key dimensions.
(C) focuses exclusively on market growth rate.
(D) categorizes businesses into only two types: grow or harvest.

273. According to Ansoff's Matrix, a company launching its existing line of smartphones in a new country is pursuing which strategy?
(A) Market Penetration
(B) Product Development
(C) Diversification
(D) Market Development

274. A business unit classified as a 'Question Mark' in the BCG Matrix is characterized by:
(A) high market growth and low relative market share.
(B) low market growth and high relative market share.
(C) high market growth and high relative market share.
(D) low market growth and low relative market share.

275. What is the common purpose of the BCG Matrix, GE Business Model, and Ansoff's Matrix?
(A) To analyze the external macro-environment of a firm.
(B) To break down a firm's internal activities

Downloaded from www.pdf.tube

that may influence their industry or business operations. While structural factors might be analyzed within industry models like Porter's Five Forces, they are not a designated component of the standard PEST acronym. Instead, PEST focuses on broad societal and environmental trends.

8. (A) Low economies of scale for existing firms
Barriers to entry determine how easily new competitors can join an industry. When existing firms benefit from high economies of scale, they enjoy lower per-unit costs, making it difficult for newcomers to compete on price. Conversely, if economies of scale are low, the cost disadvantage for new entrants is minimal. This reduction in entry barriers increases the threat of competition, as it requires less capital and efficiency to establish a presence.

9. (D) Statement I is false, but Statement II is true.
Porter's Five Forces model is designed to analyze the external competitive environment of an industry, not the internal environment of a specific firm. Therefore, the first statement is incorrect. The Resource-Based Approach, however, emphasizes that a firm's unique internal resources and capabilities are the fundamental drivers of its competitive advantage and performance. Statement II accurately describes this perspective. Consequently, the correct assessment identifies the first statement as false and the second as true.

10. (A) A firm's competitive advantage is derived from its unique and valuable resources.
The Resource-Based Approach suggests that internal organizational assets are the primary determinants of superior performance. Competitive advantage arises when a firm possesses and effectively deploys resources that are valuable, rare, inimitable, and non-substitutable. This perspective contrasts with theories emphasizing industry structure. According to this view, the uniqueness of a firm's resource bundle and its ability to leverage them creates barriers that competitors find difficult to replicate or overcome.

11. (D) Operations
Michael Porter's Value Chain Analysis distinguishes between primary and support activities. Primary activities are those directly involved in the creation and delivery of a product or service. Operations encompass the transformation of inputs into final products, such as manufacturing or assembly. Other primary activities include inbound logistics, outbound logistics, marketing, and service. Activities like human resource management and procurement are classified as support activities because they assist the primary functions.

12. (A) Both A and R are true and R is the correct explanation of A.
Supplier bargaining power is elevated when a few large firms dominate the supply market compared to the fragmented industry they serve. Concentrated suppliers possess significant leverage to dictate contract terms, increase prices, or reduce the quality of supplied goods. This dynamic directly erodes the profitability of firms within the purchasing industry. Since the suppliers are less dependent on individual buyers, they can exert greater control over the value chain.

13. (C) A sustainable competitive advantage.
Resources that are valuable, rare, inimitable, and non-substitutable form the basis of a firm's sustainable competitive advantage. Such resources allow an organization to implement value-creating strategies that are not simultaneously being implemented by current or potential competitors. When these assets are difficult for rivals to duplicate or replace, the advantage persists over time. This framework helps managers identify internal strengths that can protect the firm's market position.

NODIA

14. (D) Strengths
In the SWOT analysis framework, the letter S represents Strengths. These are internal attributes, resources, or capabilities that provide an organization with a competitive advantage over its rivals. Strengths can include brand reputation, proprietary technology, skilled workforce, or efficient processes. Identifying these positive internal factors allows a company to capitalize on external opportunities. It is essential for managers to recognize what the organization does well to build a robust strategy.

requires significant investment in research and development and a deep understanding of changing consumer needs. By offering new solutions to familiar customers, the company can increase its share of wallet and strengthen its competitive position within its core market segments.

75. (B) P-2, Q-1, R-4, S-3
The McKinsey 7S Framework describes seven internal factors that must be aligned for organizational effectiveness. Structure represents the formal organizational chart and reporting lines. Systems encompass the formal and informal procedures and processes that run the company daily. Staff refers to the organization's people and their general characteristics. Skills represent the distinctive capabilities and competencies of the organization as a whole. Understanding these definitions is essential for diagnosing organizational problems and managing complex changes across both hard and soft dimensions.

76. (B) Consumers, if left alone, will not buy enough of the firm's products.
The selling concept is a management orientation based on the belief that consumers will not buy a sufficient volume of a company's products unless the organization undertakes a large-scale selling and promotion effort. This approach is typically applied to unsought goods or in situations where firms face significant overcapacity. The focus is on moving the product through aggressive tactics rather than building long-term relationships or understanding customer needs. It often prioritizes short-term sales volume over enduring customer satisfaction.

77. (C) Product line pricing
Product line pricing is a strategy where a firm sets specific price points for various items within a product line, reflecting differences in features, quality, or perceived value. Instead of pricing each item individually, the company creates distinct price steps that help consumers understand the product hierarchy and make easier purchasing decisions. This approach allows the organization to target different segments of the market with various price-performance options, maximizing total revenue and helping to manage the overall product portfolio.

78. (D) The product's perceived performance with the customer's expectations.
Customer satisfaction is a psychological state determined by the relationship between a product's perceived performance and the buyer's initial expectations. If the performance falls short of expectations, the customer is dissatisfied. If it matches expectations, the customer is satisfied, and if it exceeds them, the customer is delighted. Smart companies manage expectations carefully and aim to deliver superior value to ensure high levels of satisfaction. This state is critical for building brand loyalty and encouraging repeat purchase behavior.

79. (A) Contractual VMS
A contractual vertical marketing system consists of independent firms at different levels of the channel that integrate their activities through formal legal agreements. A franchise organization is a prominent type of contractual VMS, where a franchisor links several stages in the production and distribution process. This arrangement allows the franchisor to maintain control over brand standards and operations while leveraging the capital and local market knowledge of franchisees. It provides a way to achieve economies of scale and consistent customer service.

80. (B) Abundant
The Resource-Based Approach identifies four key characteristics that a resource must possess to provide a sustainable competitive advantage: it must be valuable, rare, inimitable, and non-substitutable. While abundance might be beneficial for production, it does not contribute to a competitive edge because if a resource is easily available to all competitors, it cannot be a source of differentiation. To create an enduring advantage, a resource must be unique to the firm and difficult for rivals to acquire or duplicate.

81. (B) Diversification
Diversification is considered the riskiest strategy in Ansoff's Matrix because it involves simultaneously moving into new products and new markets. This means the firm has little or no previous experience with either the technology required for the product or the needs and behaviors of the target customers. Unlike market penetration or development, which build on

Click Here to Buy book on Amazon

23. (D) Strategy, Structure, Systems
In the McKinsey 7S Framework, hard elements are those that are tangible, easily identified, and directly influenced by management decisions. These include strategy, structure, and systems. Strategy defines the firm's direction, structure represents the organizational hierarchy, and systems encompass the formal processes and procedures. These components are typically documented in plans, charts, and manuals. They provide the framework within which the softer, more cultural elements of the organization operate and interact.

24. (A) All seven elements are interconnected and a change in one affects the others.
The fundamental premise of the McKinsey 7S Framework is that organizational success depends on the holistic alignment of its seven internal elements. These factors are deeply interconnected, meaning that a change in one element will inevitably impact the others. For a strategy to be implemented effectively, it must be supported by the company's structure, systems, and underlying culture. Managers must balance all seven dimensions to ensure the entire organization moves harmoniously.

25. (C) Consumers' wants, the company's requirements, and society's long-run collective interests.
The societal marketing concept posits that an organization's task is to determine the needs and interests of target markets and deliver satisfaction more effectively than competitors. Crucially, it emphasizes maintaining or enhancing both the consumer's and society's long-term well-being. This orientation requires marketers to balance three considerations: company profits, consumer wants, and the public interest. By addressing environmental concerns and social responsibility, firms can build stronger, more enduring relationships with their communities.

26. (B) 2, 1, 3, 4
The historical evolution of marketing management orientations reflects a shift from internal efficiency to external social responsibility. It began with the production concept, focusing on mass availability. Next, the selling concept emphasized aggressive promotion to move excess inventory. The marketing concept then emerged, prioritizing the satisfaction of customer needs. Finally, the societal marketing concept added long-term human welfare to the equation. This progression demonstrates the increasing importance of customer-centricity and ethical considerations in business.

27. (D) The difference between perceived customer benefits and the total costs of obtaining the product.
Customer value is defined as the difference between the total perceived benefits a customer receives from an offering and the total costs incurred to obtain it. Benefits include functional, psychological, and social advantages provided by the product or service. Costs encompass the monetary price, time spent, and physical effort required for the purchase. A high value perception occurs when the benefits significantly outweigh the costs, leading to greater customer satisfaction and brand loyalty.

28. (B) Market Segmentation
Market segmentation is the process of dividing a broad, heterogeneous market into smaller, more homogeneous subsets of consumers. These segments consist of individuals who share similar needs, characteristics, or behaviors that might require separate products or marketing mixes. By identifying specific groups, companies can tailor their offerings to better satisfy customer requirements. This targeted approach allows for more efficient resource allocation and more effective communication strategies compared to treating the entire market as one.

29. (C) Differentiated marketing
Differentiated marketing occurs when a company identifies several distinct market segments and designs tailored offers for each. This strategy aims to achieve higher sales and a stronger position within each segment by meeting specific consumer needs more precisely. While it often increases the total cost of doing business due to specialized production and promotion, it can lead to greater brand loyalty. This approach contrasts with undifferentiated marketing, which treats the entire market with one single offer.

30. (C) Statement I is true, but Statement II is false.
Market positioning involves designing a company's offering and image so that it occupies

NODIA

a distinctive and valued place in the minds of the target audience. Statement I correctly defines this strategic act. However, Statement II is incorrect because selecting which segments to enter is the definition of market targeting, not segmentation. Market segmentation is actually the preceding process of dividing the market into groups. Therefore, only the first statement provides an accurate description.

31. (A) Product Mix
A product mix, also known as a product assortment, represents the total set of all product lines and individual items that a particular seller offers to buyers. It is defined by its width, length, depth, and consistency. Width refers to the number of different product lines, while length is the total number of items. Managing this mix is essential for ensuring that the company's portfolio aligns with its strategic goals and market demands.

32. (B) Maturity
The maturity stage of the product life cycle is characterized by a slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits typically peak and then begin to decline due to increased competition and higher marketing expenditures needed to defend market share. During this phase, firms often attempt to modify the market, the product, or the marketing mix to sustain sales and differentiate themselves from a growing number of rivals.

33. (B) Market segmentation
The standard new product development process consists of several sequential stages designed to move an idea from conception to launch. These include idea generation, screening, concept development, business analysis, and commercialization. Market segmentation, while a critical marketing activity, is not a distinct step within the product development cycle itself. Instead, segmentation is a broader strategic process used to identify target audiences for the product once the concept or final offering has been clearly defined.

34. (A) Market Penetration Pricing
Market penetration pricing involves setting a low initial price for a new product to attract a large volume of buyers and rapidly gain market share. This strategy is effective in price-sensitive markets where high sales volume can lead to lower production costs through economies of scale. By establishing a strong presence quickly, the firm can discourage competitors from entering the market. Over time, the price may be raised once the brand is firmly established.

35. (C) Contractual VMS
A contractual vertical marketing system consists of independent firms at different levels of production and distribution that integrate their programs on a contractual basis. This arrangement allows them to achieve greater economies and sales impact than they could achieve alone. Common forms include wholesaler-sponsored voluntary chains, retailer cooperatives, and various franchise organizations. These systems use legal agreements to coordinate behavior and manage conflict among members, ensuring the entire channel operates with a unified strategic focus.

36. (D) Coordinates various communication channels to deliver a clear, consistent message.
Integrated Marketing Communications is a strategic approach where a company carefully coordinates its various communication channels to deliver a clear, consistent, and compelling message about the organization and its products. This process ensures that advertising, personal selling, sales promotion, and public relations work together harmoniously rather than as isolated efforts. By unifying the brand message across different platforms, the firm can build stronger brand identity and communicate value to consumers more effectively and efficiently.

37. (C) Coupons
Sales promotions are short-term incentives designed to encourage the purchase or sale of a product or service. Consumer-oriented tools are specifically aimed at final buyers to stimulate immediate action. Coupons are a classic example, providing a stated discount to consumers when they purchase specified products. Unlike trade promotions like allowances or sales contests for staff, coupons directly lower the cost for the end user, driving traffic and trial for the brand in the marketplace.

Downloaded from www.pdf.tube

38. (B) Political
The PEST analysis framework is a tool used by organizations to monitor the macro-environmental factors that may affect their operations. In this acronym, the letter P specifically stands for Political factors. These include government policies, political stability, trade restrictions, and labor laws. Understanding the political landscape is crucial for strategic planning, as changes in leadership or regulation can create significant opportunities or risks for businesses operating within a specific country or region.

39. (D) Frequently innovates, seeks new market opportunities, and grows.
In the Miles and Snow strategic typology, a prospector is an organization that prioritizes innovation and the search for new market opportunities. These firms frequently launch new products and respond rapidly to emerging trends, often acting as creators of change within their industries. Because they focus on growth and flexibility, they tend to have less efficient operations than more stable firms. Their success depends on their ability to identify and exploit new niches before their competitors.

40. (D) A false but R is true.
In Michael Porter's Value Chain Analysis, support activities are not inherently less important than primary activities; both are essential for creating value. However, the reason correctly states that support activities like procurement and human resource management provide the necessary infrastructure for primary activities to function. While primary activities involve the physical creation and sale of the product, support functions enable and enhance their effectiveness. Therefore, the assertion is incorrect, but the underlying reasoning is valid.

41. (C) Concentration
A concentration strategy is a corporate growth approach where a firm focuses its resources on a single product line or market. This allows the organization to gain significant expertise and a strong competitive position within a specific niche. Growth is achieved by increasing the usage rate of existing customers or attracting new users to the current offering. Unlike retrenchment strategies like divestment or liquidation, concentration seeks to expand the firm's core business and maximize market presence.

42. (A) Market Development : Existing Product, New Market
Ansoff's Matrix identifies four growth strategies based on combinations of new or existing products and markets. Market development occurs when a firm seeks growth by selling its current products to entirely new customer segments or geographic areas. This strategy leverages existing production capabilities while expanding the reach of the brand. Conversely, market penetration focuses on existing markets, and product development involves new offerings. Diversification is the riskiest, involving both new products and new markets simultaneously.

43. (C) a, b, c, and e only
Strategy implementation frequently faces obstacles related to the internal dynamics of the organization. Common challenges include employee resistance to change, lack of clear communication regarding the new direction, insufficient resource allocation, and a corporate culture that does not support the new strategy. Over-analysis during the formulation stage is a planning issue rather than an implementation hurdle. Addressing these human and structural barriers is essential for successfully translating a strategic plan into effective organizational action.

44. (B) Holistic marketing orientation
The holistic marketing orientation is based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies. It suggests that everything matters in marketing, from relationship building to internal alignment and social responsibility. This approach focuses on creating, delivering, and communicating superior customer value through a unified effort. It transcends traditional orientations like production or selling by integrating all aspects of the business to satisfy customer and stakeholder needs.

45. (C) A system of partnerships and alliances that a firm creates to source, augment, and deliver its offerings.
A value network in marketing channels represents a complex system of partnerships

NODIA

15. (A) P-4, Q-2, R-3, S-1
SWOT analysis categorizes internal and external factors based on their impact on organizational objectives. Strengths are internal capabilities providing a competitive edge, while weaknesses are internal traits that hinder performance. Opportunities represent favorable external conditions that an organization can exploit for growth. Conversely, threats are external challenges that may harm performance. Mapping these components correctly allows managers to align internal resources with the environmental landscape for more effective strategic planning.

16. (B) Retrenchment strategy
A retrenchment strategy involves reducing the scope, scale, or diversity of a company's operations to improve its financial health or strategic focus. This approach is typically adopted when a firm faces declining performance, financial distress, or changing market conditions. Common forms of retrenchment include turnaround, divestment, and liquidation. By cutting costs or exiting unprofitable business segments, the organization aims to stabilize its core operations and eventually return to profitability.

17. (B) Backward integration
Backward integration is a vertical growth strategy where a company acquires or develops its own sources of supply. By moving up the value chain toward the point of origin, a firm gains greater control over its raw materials and component quality. This strategy can reduce supply chain risks, lower production costs, and improve coordination. It is particularly effective when suppliers have high bargaining power or when the supply market is unreliable.

18. (A) Cash Cow
In the Boston Consulting Group matrix, a Cash Cow is a business unit with a high market share in a low-growth industry. These units generate more cash than is required to maintain their market position. Because the industry has matured, investment requirements for growth are minimal. The excess cash produced by these units is typically used to fund other business areas, such as stars or question marks, ensuring overall corporate growth.

19. (A) a, b, and d only
The GE Business Model, or McKinsey Matrix, evaluates business units using two dimensions: industry attractiveness and business strength. It consists of nine cells, providing more detail than the simpler four-cell BCG matrix. Based on the position of a unit, the model recommends strategies such as investing for growth, selective earning, or harvesting and divesting. Unlike the BCG matrix, it considers a wide variety of factors beyond just market share.

20. (D) Market Development
According to Ansoff's Product-Market Growth Matrix, market development involves selling existing products to new customer segments or geographic regions. This growth strategy focuses on expanding the reach of a proven product without changing its core features. Firms might target different demographic groups or enter international markets to achieve this. It is generally considered riskier than market penetration but less risky than diversification, as the product technology remains familiar.

21. (C) Managing change and overcoming resistance.
Implementing a new strategy often fails due to human and organizational factors rather than technical flaws. Managing change and overcoming employee resistance represent the most significant hurdles in this process. People often fear the unknown or feel threatened by shifts in roles, responsibilities, or power structures. For a strategy to succeed, leadership must effectively communicate the vision, foster a supportive culture, and ensure that individuals throughout the organization embrace the transition.

22. (B) Sales
The McKinsey 7S Framework is a diagnostic tool used to assess organizational effectiveness and alignment. It identifies seven internal elements that must work together for success: Strategy, Structure, Systems, Shared Values, Style, Staff, and Skills. These elements are categorized into hard and soft components. While sales performance is a critical outcome for many businesses, it is not one of the seven foundational elements defined within this specific structural and cultural model.

Click Here to Buy book on Amazon

that it has the necessary resources and stability to support future growth. It allows management to address internal issues and prepare for the next strategic move.

53. (A) a and c only
The product life cycle concept is a versatile tool that applies to entire product categories, specific forms, and individual brands. It highlights that as a product moves through different stages, marketing strategies related to pricing, promotion, and distribution must be adjusted to match the changing market conditions. While it is useful for planning, it is not a precise predictive tool for forecasting exact sales. Furthermore, the decline stage varies significantly and does not always result in immediate product withdrawal.

54. (B) The way key managers behave in achieving organizational goals.
In the McKinsey 7S Framework, Style refers to the cultural element of the organization, specifically the leadership approach and behavioral patterns of top management. It encompasses how managers spend their time, what they focus on, and how they interact with employees to achieve organizational goals. This soft element is critical because it sets the tone for the entire company. A supportive and consistent leadership style can significantly enhance employee morale and facilitate the successful implementation of corporate strategies.

55. (A) Both Statement I and Statement II are true.
Vertical marketing systems are designed to coordinate channel behavior and eliminate the conflicts found in conventional channels. In a corporate VMS, integration is achieved through single ownership of multiple stages of the production and distribution process. In contrast, an administered VMS relies on the size and market power of one dominant member to lead and coordinate the activities of other channel partners. Both statements correctly describe these two distinct methods of achieving channel integration and improved operational efficiency.

56. (A) There are few buyers and many sellers.
The bargaining power of buyers is high when they have significant leverage over suppliers. This typically occurs when a small number of buyers account for a large portion of the sellers' total sales. In such situations, buyers can dictate prices, demand higher quality, and play competitors against each other. Conversely, when buyers purchase in small volumes, face high switching costs, or when products are highly differentiated, their bargaining power is significantly reduced, favoring the suppliers.

57. (C) Horizontal integration
Horizontal integration is a growth strategy where a company acquires or merges with a competitor operating at the same level in the value chain. This approach allows a firm to increase its market share, achieve economies of scale, and reduce competitive intensity within the industry. By consolidating similar operations, the company can often lower its per-unit costs and gain more power over suppliers and buyers. It is a common strategy for achieving rapid expansion and dominant market presence.

58. (A) Market Growth Rate
The Boston Consulting Group matrix uses two dimensions to evaluate a company's portfolio of business units. The vertical axis represents the market growth rate, which serves as a measure of the industry's attractiveness and the potential for future sales increases. A high growth rate indicates a dynamic market with significant opportunities but also high investment needs. This dimension, combined with the relative market share on the horizontal axis, helps managers categorize business units into stars, cows, marks, or dogs.

59. (D) External to the organization and negative.
In a SWOT analysis, the letter T stands for Threats, which are external factors that could potentially harm an organization's performance or viability. These include elements such as rising competition, changing regulations, economic downturns, or shifting consumer preferences. Unlike weaknesses, which are internal and controllable, threats originate from the external environment. Identifying these negative external forces is essential for developing defensive strategies and ensuring that the organization is prepared to mitigate risks and protect its competitive position.

Downloaded from www.pdf.tube

and alliances that a firm establishes to source, augment, and deliver its offerings. This concept extends beyond the simple physical distribution of goods to include all stakeholders involved in the value creation process. By collaborating with suppliers, distributors, and even customers, a firm can create a more responsive and efficient delivery system. This network approach helps the organization maintain a competitive edge through collective capability.

46. (D) A business unit with low market share in a low-growth market.
In the Boston Consulting Group (BCG) matrix, a Dog is a business unit characterized by low relative market share in a low-growth industry. These units typically generate enough cash to maintain themselves but do not promise large amounts of profit or growth. They often require significant management attention despite their limited potential. Strategic options for Dogs usually include harvesting the remaining value, divesting the unit, or liquidating it to reallocate resources to more promising business areas.

47. (A) Market Targeting
Market targeting is the strategic process of evaluating the attractiveness of various market segments and choosing which one or more to enter. After the market has been segmented into distinct groups, the firm must decide where it can create the most value and achieve its objectives. This involves analyzing segment size, growth potential, and compatibility with organizational goals. Effective targeting ensures that marketing efforts are focused on the most promising opportunities rather than being spread too thin.

48. (B) P-3, Q-4, R-1, S-2
Pricing strategies are selected based on market conditions and organizational objectives. Price skimming involves setting a high initial price for innovative products to capture value from early adopters. Penetration pricing uses a low initial price to quickly secure market share. Psychological pricing utilizes consumer perception, such as pricing items at ninety-nine rupees to make them seem significantly cheaper. Finally, cost-plus pricing adds a standard markup to the production cost, ensuring a predictable profit margin for the firm.

NODIA

49. (B) Advertising is long-term and brand-building, while sales promotion is short-term and action-oriented.
Advertising and sales promotion serve different roles within the promotional mix. Advertising is a long-term communication tool designed to build brand awareness, image, and consumer preference over time. In contrast, sales promotion focuses on short-term incentives, such as discounts or contests, to stimulate immediate purchase or action. While advertising tells the consumer why they should buy a brand, sales promotion provides a reason to buy it now, making it a more action-oriented tactic.

50. (A) Economic
The economic component of a PEST analysis examines factors that influence the purchasing power of consumers and the cost of capital for businesses. Relevant variables include inflation rates, interest rates, exchange rates, and overall economic growth. These factors directly affect a firm's profitability and its ability to fund new projects. By monitoring macroeconomic trends, organizations can anticipate changes in demand and adjust their pricing or investment strategies accordingly to remain competitive in a fluctuating financial environment.

51. (C) Resource-Based Approach
The Resource-Based Approach suggests that internal organizational assets are the primary determinants of superior performance. Competitive advantage arises when a firm possesses and effectively deploys resources that are valuable, rare, inimitable, and non-substitutable. This perspective contrasts with theories emphasizing industry structure. According to this view, the uniqueness of a firm's resource bundle and its ability to leverage them creates barriers that competitors find difficult to replicate or overcome, ensuring the organization remains viable and successful.

52. (D) Pause/Proceed-with-caution strategy
A pause or proceed-with-caution strategy is a type of stability strategy where a company temporarily halts its growth initiatives to consolidate its position. This approach is often used after a period of rapid expansion or when the external environment is highly uncertain. By waiting for more favorable conditions, the firm can ensure

encompasses factors like market growth, size, and competitive intensity. Business strength includes variables such as market share, brand reputation, and production capacity. By plotting units on this nine-cell matrix, companies can make more informed decisions about resource allocation. This model offers a more sophisticated analysis than the BCG matrix by incorporating a broader range of variables.

68. (D) Shared Values
In the McKinsey 7S Framework, soft elements are those that are less tangible, more cultural, and often more difficult to change than hard structural elements. Shared values, which represent the core beliefs and guiding principles of the organization, are a primary example of a soft element. They are placed at the center of the model, signifying their role as the foundation for the other six elements. Other soft elements include skills, staff, and management style, all essential for organizational alignment.

69. (B) b, c, and e only
In the BCG matrix, a Question Mark, often called a "problem child," is a business unit with a low relative market share in a high-growth industry. These units require substantial cash investment to maintain or increase their market share in a rapidly expanding environment. They generate relatively little cash themselves, creating a strategic dilemma for management. The company must decide whether to invest heavily to turn the unit into a star or to divest and reallocate resources elsewhere.

70. (B) division; selection
Market segmentation and market targeting are sequential steps in the strategic marketing process. Segmentation involves the division of a broad and diverse market into smaller, more homogeneous groups of consumers with similar needs or characteristics. Targeting, the next step, involves the evaluation and selection of one or more of these segments to enter and serve. While segmentation is about identifying the different parts of the market, targeting is about making a strategic choice on which specific parts to focus.

71. (D) Deciding on features, design, branding, and packaging of the good or service.
The product element of the marketing mix focuses on the actual offering that a company provides to its target market to satisfy a need or want. This involves critical decisions regarding the product's physical features, quality level, aesthetic design, and functional capabilities. It also encompasses branding, which helps differentiate the item from competitors, and packaging, which provides protection and communicates information. These decisions are foundational, as they define the core value that the organization delivers to its customers.

72. (A) The threat from products in other industries that can perform the same function.
In Porter's Five Forces model, the threat of substitute products refers to the competition from products outside the focal industry that satisfy the same consumer needs. For example, high-speed rail can be a substitute for short-haul airline travel. When substitutes are readily available and offer attractive price-performance tradeoffs, they limit the prices that firms in the industry can charge. This external pressure can significantly impact industry profitability and force companies to innovate or differentiate their offerings to maintain demand.

73. (C) Formulation, Implementation, Evaluation
The strategic management process is a logical sequence of stages designed to guide an organization toward its long-term goals. It typically begins with strategy formulation, where the mission is defined and plans are developed based on environmental analysis. This is followed by strategy implementation, where the plans are put into action through organizational change and resource allocation. Finally, strategic evaluation and control involve monitoring performance and making necessary adjustments. This continuous cycle ensures that the firm remains aligned with its environment.

74. (A) Product Development
According to Ansoff's Matrix, product development is a growth strategy where a company introduces new or significantly improved products into its existing markets. This approach leverages the firm's existing customer base and brand reputation to drive sales. It often

Click Here to Buy book on Amazon

60. (A) 2, 3, 1, 4
The new product development process follows a logical sequence to minimize risk and maximize potential success. It begins with idea screening to filter out unpromising concepts. This is followed by concept development and testing to evaluate consumer response. Next, a business analysis is conducted to assess the financial viability and strategic fit of the project. Finally, the product enters the development stage, where a physical version is created. This systematic approach ensures that resources are allocated to the most promising ideas.

61. (C) Achieving high efficiency, low costs, and mass market distribution.
The production concept is a management orientation based on the assumption that consumers will favor products that are widely available and highly affordable. Therefore, the primary focus of the organization is on achieving high production efficiency, reducing costs, and ensuring mass distribution. this orientation is most effective when demand exceeds supply or when the product's cost is too high. However, it can lead to a neglect of customer needs and a failure to differentiate products from those of competitors.

62. (D) Use or Application positioning
Use or application positioning involves creating a distinctive place for a product in the consumer's mind based on how or when it is used. This strategy emphasizes specific situations, times, or circumstances where the product provides the most value. By associating the brand with a particular usage occasion, companies can differentiate themselves from competitors who may focus on product attributes or general benefits. This approach helps consumers understand the specific practical utility of the offering in their daily lives.

63. (A) Value-based pricing
Value-based pricing is a strategy where prices are set primarily based on the perceived value to the customer rather than the cost of the product or competitor prices. This approach requires a deep understanding of the benefits that customers seek and their willingness to pay for those benefits. By focusing on value, a company can capture a larger portion of the customer's surplus and build stronger relationships. This strategy contrasts with cost-plus pricing, which focuses on internal production costs.

64. (B) Direct marketing channel
A direct marketing channel, also known as a zero-level channel, occurs when a manufacturer sells its products directly to the final consumer without any intermediaries. This can be achieved through various methods, such as company-owned stores, online sales, or door-to-door selling. Direct channels allow the producer to have full control over the selling process, customer data, and brand message. While it requires a higher initial investment in logistics and sales infrastructure, it eliminates the need to share profits.

65. (A) Both A and R are true and R is the correct explanation of A.
Modern consumers are exposed to an overwhelming volume of marketing messages from diverse sources. The Integrated Marketing Communications approach is essential because it ensures that all communication channels deliver a unified and consistent message. This consistency helps cut through the noise and makes the brand more memorable to consumers. By coordinating advertising, public relations, and other tools, companies can create a stronger brand identity and communicate their value proposition more effectively in a cluttered and competitive marketplace.

NODIA

66. (A) Concentcentric Diversification
Corporate retrenchment strategies are used when a firm needs to reduce the scope of its operations to improve performance or survive financial distress. Common types include turnaround, divestment, and liquidation. Concentric diversification, however, is a growth strategy where a company adds new products or services that are related to its existing business. It aims to achieve synergy by leveraging current expertise and resources. Therefore, it does not fit the definition of retrenchment, which focuses on contraction rather than expansion.

67. (C) Industry Attractiveness and Business Strength
The GE Business Model, also known as the McKinsey Matrix, is a portfolio analysis tool that uses two comprehensive dimensions to evaluate business units. Industry attractiveness

existing strengths, diversification requires the organization to navigate multiple unknowns. While it offers high potential for growth and risk reduction across the portfolio, it carries significant operational challenges.

82. (A) The core values that are shared among the organization's members.
In the McKinsey 7S Framework, shared values are the core beliefs, guiding principles, and fundamental ideas around which an organization is built. They are placed at the center of the model because they serve as the foundation for the other six elements. These values influence the company's culture, the behavior of its employees, and the overall strategic direction. When shared values are strong and well-aligned with the other elements, they provide a powerful source of organizational purpose and cohesion.

83. (C) Low sales and negative or low profits.
The introduction stage of the product life cycle begins when a new product is first launched into the market. This phase is typically characterized by slow sales growth as consumers become aware of the offering. Profits are usually negative or very low due to high distribution and promotion expenses and the need to recoup initial development costs. The primary marketing objective during this stage is to create product awareness and encourage trial among early adopters to establish a market presence.

84. (B) Both Statement I and Statement II are false.
The primary aim of advertising is generally to build brand awareness, image, and preference over the long term, rather than just generating immediate sales. Conversely, the primary aim of sales promotion is to provide short-term incentives to stimulate immediate purchase or action, rather than building long-term brand equity. Therefore, both statements have swapped the primary objectives of these two distinct promotional tools. In an effective marketing mix, both are used together to achieve both short-term and long-term organizational goals.

85. (C) A significant increase in the price of jet fuel.
In a SWOT analysis, threats are external factors that can negatively impact an organization's performance. For an airline company, a significant increase in the price of jet fuel is a classic example of a threat because fuel is a major operating cost that is outside the firm's direct control. Rising costs can erode profit margins and force difficult decisions regarding ticket pricing. Unlike internal weaknesses like an aging fleet, threats originate from the broader economic or industry environment and require strategic mitigation.

86. (A) Both A and R are true and R is the correct explanation of A.
In the BCG matrix, Stars are business units with high market share in high-growth industries. Because they operate in rapidly expanding markets, they require significant cash investment to finance their rapid growth, maintain their competitive position, and defend against rivals. The goal is to eventually turn these Stars into Cash Cows as the market growth slows down. Therefore, both the assertion and the reason are true, and the reason accurately explains why substantial funding is necessary for these promising units.

87. (D) Procurement procedures
Consumer markets are typically segmented using several bases, including geographic, demographic, psychographic, and behavioral variables. These allow companies to group individuals with similar needs or characteristics. Procurement procedures, however, are a basis for segmenting business-to-business or industrial markets, as they relate to how organizations purchase goods and services. While individual consumers have buying habits, they do not have formal procurement procedures. Therefore, this variable is not used in the segmentation of consumer markets to target final users.

88. (A) Positioning
Positioning is the act of designing a company's offering and image so that it occupies a distinctive, valued, and desirable place relative to competing products in the minds of target consumers. It involves identifying a unique selling proposition and communicating it effectively through the marketing mix. Successful positioning ensures that the product is perceived as superior or different from rivals on key attributes that matter to the customer. This mental image is critical for building brand preference and achieving a competitive advantage.

Downloaded from www.pdf.tube

89. (C) A sequence of activities a firm performs to design, produce, market, deliver, and support its product.
A value chain, as popularized by Michael Porter, is a strategic tool used to analyze the specific activities through which an organization creates value for its customers. It consists of primary activities, such as operations and logistics, and support activities, such as human resource management and procurement. By examining each step in the sequence, a firm can identify opportunities to increase efficiency, reduce costs, or enhance differentiation. This holistic view helps the organization understand how it can achieve a competitive advantage.

90. (A) Fixed costs are high and exit barriers are high.
Industry rivalry tends to be more intense when fixed costs are high, as firms are pressured to operate at full capacity to cover their overhead. This often leads to price wars and aggressive marketing. Additionally, high exit barriers, such as specialized assets or emotional attachments, force companies to remain in the industry even if profitability is low. These conditions create a highly competitive environment where firms must fight for market share to survive, leading to reduced overall industry profitability for all players.

91. (D) Selling off a division or part of an organization to raise capital.
Divestment is a type of retrenchment strategy where a company sells off a portion of its business, such as a division, a product line, or a subsidiary. This is often done to raise capital for more promising business areas, to refocus on core competencies, or to exit an unprofitable market. By shedding non-core or underperforming assets, the organization can improve its overall strategic focus and financial health. It is a more severe action than a turnaround but less extreme than liquidation.

92. (B) Product Concept
The product concept is a management orientation based on the assumption that consumers will favor products that offer the most quality, performance, or innovative features. Organizations following this philosophy focus their energy on making continuous product improvements and developing superior offerings. While this can lead to high-quality products, it can also result in "marketing myopia" if the firm focuses too much on the product itself rather than on the underlying customer needs and the benefits that the product should provide.

93. (B) c and e only
Strategic management is a dynamic and multifaceted process that involves the analysis of both the internal organizational capabilities and the external environmental conditions. It is not limited to top management, as implementation requires involvement at all levels. Furthermore, it links the firm's strategy directly to its performance and its ability to adapt to environmental changes. While it focuses on long-term direction, it also addresses medium-term goals. Therefore, it is a proactive and continuous process rather than a static or one-time plan.

94. (D) Business analysis
Business analysis is a critical stage in the new product development process where the proposed idea is evaluated for its financial and strategic viability. During this phase, management reviews sales, cost, and profit projections to determine if the product meets organizational objectives. This analysis helps the company decide whether to proceed with the costly product development stage. By assessing the potential return on investment and the fit with the existing portfolio, the firm can minimize the risk of failure.

95. (A) The size and power of one dominant channel member.
In an administered vertical marketing system, coordination and conflict management are achieved through the size and market power of one of the channel members, rather than through common ownership or formal contracts. This dominant member, often a large manufacturer or retailer, can influence the behavior of other partners by offering incentives or exercising its leverage. This informal leadership ensures that the entire channel operates in a coordinated manner, improving overall efficiency and reducing the likelihood of destructive channel conflicts.

96. (B) Product Pricing
Integrated Marketing Communications focuses specifically on the coordination of various

NODIA

promotional tools to deliver a consistent and compelling brand message. Its core components include advertising, public relations, sales promotion, personal selling, and direct marketing. While product pricing is a fundamental element of the broader marketing mix, it is not a direct component of an IMC program. IMC is concerned with how the company communicates its value to the target audience, ensuring that all communication channels work together harmoniously to build brand identity.

97. (B) Concentrated marketing strategy
A concentrated marketing strategy, also known as niche marketing, involves a company focusing its resources on a large share of one or a few smaller sub-markets or niches. Instead of chasing a small share of a large market, the firm seeks a large share of a specific, well-defined segment. This approach allows the organization to develop deep knowledge of customer needs and achieve a strong competitive position. It is especially effective for smaller companies with limited resources that want to compete effectively.

98. (A) 2, 3, 1
Retrenchment strategies vary in their severity and impact on the organization. A turnaround strategy is the least severe, focusing on internal improvements and cost-cutting to reverse declining performance. Divestment is more severe, involving the sale of a part of the business to raise capital or refocus. Liquidation is the most extreme form, where the entire firm is terminated and its assets are sold. This sequence reflects the increasing level of organizational contraction required to address varying degrees of strategic and financial distress.

99. (C) Invest and grow
In the GE Business Model, business units located in the "green" zone are those that operate in highly attractive industries and possess strong competitive positions. For these units, the recommended strategy is typically to invest heavily to maintain and grow their market share. Because these units have high potential for long-term profitability and success, they should be the primary focus of resource allocation. This proactive approach ensures that the company capitalizes on its most promising opportunities and strengthens its overall business portfolio.

100. (A) P-4, Q-2, R-3, S-1
The BCG Matrix provides strategic recommendations for business units based on their market share and growth. Stars should be built or harvested depending on their long-term potential. Cash Cows should be held or harvested to generate funds for other units. Question Marks require investment to build their market share or should be divested if they lack potential. Dogs, with low share and growth, should typically be harvested or divested to minimize losses and reallocate resources to more promising business units.

101. (B) A car manufacturer acquiring a tire company.
Backward integration is a vertical growth strategy where a company acquires or takes control of its suppliers. For a car manufacturer, acquiring a tire company is a classic example of this strategy, as it allows the firm to secure its supply of a critical component and potentially reduce costs. By moving up the value chain toward the source of raw materials, the organization gains greater control over the quality and availability of inputs, which can enhance its overall competitive position and operational efficiency.

102. (A) Human Resource Management
In Michael Porter's Value Chain model, support activities provide the necessary infrastructure that allows primary activities to be performed effectively. Human Resource Management is a key support activity, encompassing the recruitment, training, development, and compensation of the company's workforce. While not directly involved in the physical creation or sale of the product, it is essential for ensuring that the organization has the skilled and motivated people needed to execute its strategy. Other support activities include procurement, technology development, and company infrastructure.

103. (C) Transform the corporation into a leaner, more effective firm.
A turnaround strategy is a type of retrenchment strategy aimed at reversing a period of declining performance and returning an organization to profitability. It involves a series of internal measures, such as cost-cutting, asset reduction, and operational improvements, to make the firm leaner and more efficient. The goal is to address the root causes of failure and stabilize the

Click Here to Buy book on Amazon

131. (C) Conglomerate diversification
Conglomerate diversification is a corporate growth strategy where a company adds new products or services that are completely unrelated to its existing business. An example would be a car manufacturer starting a hotel chain. This strategy is often pursued to spread risk across diverse industries or to capitalize on high-growth opportunities outside the core business. While it offers the potential for significant growth, it also carries high risk due to the firm's lack of experience and synergy in the new and unfamiliar market.

132. (D) Managing the supply chain logistics
Marketing management encompasses a wide range of tasks related to understanding, creating, and delivering value to customers. Key activities include capturing marketing insights, connecting with customers, building strong brands, and developing effective marketing mixes. While managing supply chain logistics is critical for business operations, it is typically classified as a function of operations or supply chain management rather than a core task of marketing management itself. Marketing focuses more on the strategic aspects of identifying demand and communicating value to the target market.

133. (D) Behavioral segmentation
Behavioral segmentation involves dividing a market into groups based on their knowledge of, attitude toward, use of, or response to a product. When a company segments a market based on the specific benefits that consumers seek from a product, it is using a behavioral basis. This approach helps the firm understand the underlying motivations of different customer groups and tailor its offerings and communication to match their needs. It is often a more powerful predictor of buying behavior than simple demographic or geographic variables.

134. (A) Both A and R are true and R is the correct explanation of A.
The growth stage of the product life cycle is characterized by a rapid increase in sales as more consumers adopt the product. As a result, new competitors enter the market, increasing the intensity of rivalry. To succeed, firms must shift their marketing focus from simply building awareness to creating brand preference and loyalty. Both the assertion and the reason are true, and the reason accurately explains why a focus on brand building is essential for maintaining market share and achieving long-term profitability during this dynamic phase.

135. (A) The total number of items a company carries within its product lines.
The length of a company's product mix refers to the total number of individual items that the organization carries across all of its various product lines. This dimension provides an indication of the depth and variety of the firm's overall product portfolio. Along with width, depth, and consistency, length is a key measure used to analyze and manage a company's product assortment. Managing the length of the mix involves making strategic decisions about adding new items or pruning underperforming ones to optimize the portfolio.

136. (B) Advertising
The promotion element of the marketing mix focuses on communicating the value of a product or service to the target market. It includes several key tools, such as advertising, sales promotion, public relations, personal selling, and direct marketing. Advertising is a prominent component, involving paid non-personal communication to build brand awareness and image. Decisions about other marketing mix elements like packaging, distribution channels, and warranties fall under product or place rather than the specific category of promotion management and marketing communications.

137. (B) Invest heavily to increase market share or divest.
In the BCG matrix, a Question Mark is a business unit with a low market share in a high-growth industry. These units present a strategic challenge because they require significant cash investment to compete in a rapidly expanding market. The most appropriate strategy is to either invest heavily to build the unit's market share and turn it into a star, or to divest the unit if it lacks the potential to achieve a dominant competitive position. This decision depends on the firm's resources and the unit's long-term viability.

NODIA

the skills of its people. All seven elements are deeply interconnected, meaning that alignment is essential for organizational effectiveness. Therefore, both the assertion and the reason are true, and the reason accurately explains the necessity of balancing all dimensions for success.

111. (D) A system of partnerships that a firm creates to source, augment, and deliver its offerings.
In the context of place decisions and channel management, a value network refers to the complex system of partnerships and alliances that a firm establishes to effectively source, enhance, and deliver its products to customers. This concept recognizes that value is created through the collaboration of multiple stakeholders, including suppliers, distributors, and service providers. By managing this network as a unified whole, an organization can improve its responsiveness, efficiency, and ability to deliver superior value to its final target market.

112. (B) Strategic Evaluation and Control
The final stage of the strategic management process is strategic evaluation and control. This phase involves monitoring the implementation of the strategy and comparing actual results with established objectives. By regularly reviewing performance and environmental changes, management can identify deviations and take necessary corrective actions to ensure the strategy remains effective. This stage provides essential feedback that informs future strategy formulation and implementation, making the entire strategic management process a continuous and dynamic cycle of planning, action, and improvement.

113. (C) Growth strategies
Ansoff's Matrix is a widely used strategic planning tool that helps companies identify and evaluate their options for future growth. It provides a framework for analyzing four distinct growth strategies: market penetration, market development, product development, and diversification. These strategies are based on whether the firm is dealing with existing or new products and markets. By using this matrix, managers can systematically explore different paths for expansion and assess the relative risks and rewards associated with each strategic option.

114. (D) The number of different product lines the company carries.
The width of a company's product mix refers to the total number of different product lines that the organization offers to its customers. A wide product mix indicates that the firm operates in many diverse product categories, which can help spread risk but also increases management complexity. This dimension is one of the four key characteristics used to describe a product portfolio, along with length, depth, and consistency. Managing the width of the mix is a critical strategic decision for any diversified company.

115. (A) Creation of synergy and a more consistent brand message.
Integrated Marketing Communications aims to coordinate all of a company's promotional tools to ensure they work together harmoniously. A key benefit of this approach is the creation of synergy, where the combined effect of multiple communication channels is greater than the sum of their individual impacts. By delivering a clear and consistent brand message across all platforms, IMC helps build a stronger brand identity and improves the effectiveness of marketing communications. This leads to higher consumer awareness and more efficient resource allocation.

NODIA

116. (B) Finding new users and new market segments for its brand.
In the maturity stage of the product life cycle, sales growth slows down as the market becomes saturated. To maintain sales, a company may try to modify the market by finding new users or entering new market segments. This can involve targeting different demographic groups or expanding into new geographic regions. By broadening the product's appeal, the firm can extend the life of the brand and defend its market share against competitors. This proactive approach is essential for sustaining profitability in mature industries.

117. (B) Market penetration
Integration strategies involve a company expanding its operations within its own industry or value chain. Common types include forward integration, backward integration, and horizontal integration. Market penetration, however, is

business without selling off major divisions or liquidating the company. Success requires strong leadership and a focus on core competencies and operational excellence.

104. (D) Developing marketing strategies and plans
Marketing management is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals. A key task is developing comprehensive marketing strategies and plans that align the company's capabilities with market opportunities. This involves identifying target markets, determining positioning, and managing the marketing mix. Effective marketing management ensures that the organization remains customer-centric and can compete effectively in a dynamic and ever-changing business environment.

105. (A) Both Statement I and Statement II are true.
Customer satisfaction is often a short-term psychological state or feeling that occurs after a purchase, based on whether the product's performance met expectations. Customer value, however, is a broader and more long-term perception of the relationship between the total benefits received and the total costs incurred. Both are critical for building brand loyalty. Smart companies aim to maximize both by delivering superior value and ensuring that every interaction with the brand leaves the customer feeling satisfied and valued over the long term.

106. (B) Harvesting the product by reducing costs and milking it for cash.
During the decline stage of the product life cycle, sales and profits fall as the product is replaced by newer technologies or changing consumer preferences. A common strategy is harvesting, which involves reducing all marketing and maintenance costs to maximize short-term cash flow before the product is eventually withdrawn from the market. This "milking" approach allows the firm to extract the remaining value from the brand while reallocating resources to more promising and high-growth areas of the business portfolio.

107. (D) Social class, lifestyle, or individual personality characteristics.
Psychographic segmentation is the process of dividing a market into different groups based on social class, lifestyle, or personality traits. This approach goes beyond demographic variables like age and income to understand the underlying motivations and values that drive consumer behavior. By grouping individuals with similar psychological profiles, companies can develop more resonant marketing messages and products that better fit their customers' lives. This deeper understanding of the consumer helps in creating more effective and personalized marketing strategies and offerings.

108. (A) Price Skimming
Price skimming is a strategy where a company sets a high initial price for a new, innovative product to capture the maximum revenue from early adopters who are less price-sensitive. Over time, as demand from these segments is satisfied and competition increases, the firm gradually lowers the price to attract more price-conscious customers. this approach allows the organization to recoup its development costs quickly and take advantage of the high perceived value of its new technology before it becomes more mainstream.

109. (B) a, b, and c only
Strategic decisions are characterized by their long-term impact and the significant resources they require. They are often unique and have no established precedents, making them non-routine and complex. Because they set the direction for the entire organization and involve substantial commitment, they are typically difficult and costly to reverse once implemented. These decisions are made by top-level management and have far-reaching consequences for the firm's competitive position and future success. Routine and easily reversible choices are generally considered operational rather than strategic.

110. (A) Both A and R are true and R is the correct explanation of A.
The McKinsey 7S Framework emphasizes that both hard structural elements and soft cultural elements are equally important for successful strategy implementation. A brilliant strategy can easily fail if it is not supported by the company's shared values, management style, and

Downloaded from www.pdf.tube

124. (D) Internal and negative
In a SWOT analysis, the letter W stands for Weaknesses, which are internal attributes or resources that hinder an organization's performance or prevent it from achieving its objectives. These are factors within the firm's control, such as outdated technology, lack of key skills, or poor brand reputation. Identifying these internal negative factors is critical for developing strategies to improve performance and mitigate risks. By addressing its weaknesses, a company can strengthen its competitive position and better prepare to exploit external opportunities.

125. (D) Environmental scanning
Environmental scanning is the systematic process of gathering, analyzing, and interpreting information about an organization's internal and external environments. This involves monitoring events, trends, and relationships that could impact the firm's future performance. By identifying emerging opportunities and threats early, managers can make more informed strategic decisions and adapt their plans to changing conditions. Environmental scanning is a foundational activity in the strategic management process, ensuring that the organization remains aligned with its environment and competitive landscape.

126. (B) Satisfied with its current performance in a stable environment.
A stability strategy is most appropriate for a firm that is satisfied with its current performance and operates in a relatively predictable and stable environment. This approach involves maintaining the current course and focusing on incremental improvements rather than pursuing rapid growth or major strategic shifts. While it avoids the risks of aggressive expansion, it also requires the firm to stay vigilant against emerging competitors or environmental changes. This strategy is often used by successful firms in mature industries with steady demand.

127. (C) Rate of technological change
Michael Porter's Five Forces model identifies five key competitive forces that determine the attractiveness and profitability of an industry. These include the bargaining power of suppliers, the bargaining power of buyers, the threat of new entrants, the threat of substitute products, and the rivalry among existing firms. While the rate of technological change is an important environmental factor that can influence these forces, it is not one of the five specific components defined in Porter's original framework for analyzing industry competition and structure.

128. (B) To make the strategy action-oriented.
Strategy implementation involves translating broad strategic plans into specific organizational actions. Developing detailed programs and procedures is essential for this process because it provides a clear roadmap for how the strategy will be executed on a day-to-day basis. These action-oriented tools define the specific tasks, responsibilities, and timelines required to achieve strategic objectives. By breaking down the strategy into manageable steps, management can ensure that the entire organization is aligned and that the transition from planning to execution is successful.

129. (A) a, c, and d only
The McKinsey 7S Framework was developed by McKinsey & Company, not the BCG. It emphasizes that for an organization to be successful, all seven of its internal elements must be aligned and interconnected. In this model, Strategy, Structure, and Systems are categorized as "hard" elements because they are more tangible and easily defined, while the other four are "soft." Additionally, the framework is a tool for both strategy formulation and implementation, particularly for organizational diagnosis. Shared values are correctly placed at the center of the model.

130. (A) Both Statement I and Statement II are true.
Test marketing is an optional stage in the new product development process where the product and its marketing program are introduced into realistic market settings. For low-risk products, companies often skip this step to save time and costs. Commercialization is the final and often most expensive stage, where the new product is officially launched into the full market. Both statements accurately describe these two critical phases of moving a new idea from development to the hands of the final consumer.

NODIA

a growth strategy from Ansoff's Matrix that focuses on increasing sales of existing products in existing markets, often through more aggressive marketing. While it is a growth strategy, it does not involve the structural integration of different stages of the value chain or the acquisition of competitors, making it distinct from integration strategies.

118. (A) Resource-Based View (RBV)
The Resource-Based View suggests that a firm's competitive advantage is derived from its unique bundle of internal resources and capabilities. This perspective argues that superior performance is achieved by effectively managing and leveraging assets that are valuable, rare, inimitable, and non-substitutable. Unlike theories that emphasize industry structure, the RBV focuses on the firm's internal strengths as the primary driver of success. By developing and protecting these unique resources, an organization can create barriers that are difficult for competitors to replicate.

119. (C) Single ownership of successive stages of production and distribution.
A corporate vertical marketing system achieves channel coordination and conflict management through single ownership of successive stages in the production and distribution process. This integration allows the organization to have full control over the entire channel, ensuring that all members work toward common goals and that operations are highly efficient. By eliminating the independence of channel partners, a corporate VMS can reduce transaction costs and improve the consistency of the final customer experience. It is a powerful method for achieving channel dominance.

120. (A) P-4, Q-3, R-1, S-2
Different marketing orientations prioritize different aspects of the business. The production concept focuses on making products widely available and highly affordable. The product concept emphasizes continuous improvement in product quality and innovative features. The selling concept relies on aggressive promotion and large-scale selling efforts to move products. Finally, the marketing concept puts the focus on understanding and satisfying customer needs and wants more effectively than competitors. Matching these concepts with their primary focus is essential for understanding the evolution of marketing philosophy.

121. (C) The GE model uses a wider range of variables for its two dimensions.
The main difference between the BCG Matrix and the GE Business Model is the sophistication of the dimensions used for evaluation. While the BCG matrix uses single measures—market growth rate and relative market share—the GE model incorporates a much wider range of variables to assess industry attractiveness and business strength. This multidimensional approach provides a more comprehensive and nuanced analysis of a company's business portfolio. Consequently, the GE model is often considered a more detailed and accurate tool for strategic decision-making.

122. (A) 2, 4, 1, 3
The strategic marketing process follows a logical sequence to ensure that offerings are well-matched to market needs. It begins with identifying the bases for segmentation and developing profiles of the resulting groups. Next, the company evaluates and selects the most attractive target segments to enter. Finally, the firm develops a distinctive positioning for each target segment to occupy a clear place in the consumer's mind. This systematic approach—segmenting, targeting, and then positioning—is fundamental for achieving a competitive advantage and delivering superior customer value.

123. (D) Has a high market share in a low-growth market.
In the BCG matrix, a Cash Cow is a business unit characterized by a high relative market share in a low-growth or mature industry. These units are highly profitable and generate more cash than is needed to maintain their market position. Because the industry has stabilized, the need for new investment is minimal. The excess cash produced by Cash Cows is typically used to fund other business units with higher growth potential, such as Stars or Question Marks, ensuring the overall corporate portfolio remains healthy.

Click Here to Buy book on Amazon

138. (A) Strengths and Weaknesses
Internal analysis in strategic management focuses on evaluating an organization's resources, capabilities, and core competencies. The primary objective is to identify its strengths—the positive attributes that provide a competitive edge—and its weaknesses—the internal areas that hinder performance or need improvement. By understanding these internal factors, managers can develop strategies that leverage the firm's strengths while addressing or mitigating its weaknesses. This internal audit is essential for aligning the organization's capabilities with the opportunities and threats in the external environment.

139. (C) The termination of the firm and the sale of its assets.
Liquidation is the most extreme form of retrenchment strategy, involving the complete termination of a firm's operations and the sale of all its assets. This approach is typically taken as a last resort when the company is in severe financial distress and is no longer viable as a going concern. By liquidating the business, the owners can recover whatever residual value remains from the assets and settle outstanding debts. It is a final exit strategy that marks the end of the organization's existence.

140. (B) P-4, Q-2, R-1, S-3
Integration and diversification strategies describe different ways a firm can grow within or outside its industry. Horizontal integration involves merging with a competitor, such as one airline acquiring another. Forward integration occurs when a company moves closer to the final consumer, like a shoe manufacturer opening its own retail stores. Backward integration involves acquiring a supplier, such as a steel manufacturer buying a mining company. Conglomerate diversification is entering an unrelated industry, such as a software company acquiring a fast-food chain. Each strategy carries different risks and rewards.

141. (D) Firm's ability to deploy unique, valuable, and hard-to-imitate resources.
The Resource-Based Approach suggests that a firm's internal assets are the primary source of its competitive advantage. To provide an enduring edge, these resources must be valuable, rare, inimitable, and non-substitutable. The core principle is that superior performance is achieved when an organization can uniquely deploy its capabilities in ways that competitors find difficult to duplicate. This perspective shifts the focus from industry structure to the firm's internal strengths and its ability to leverage its unique resource bundle to create superior value.

142. (B) Primary Activities
In Michael Porter's Value Chain Analysis, primary activities are those directly involved in the physical creation, sale, and delivery of a product or service. This category includes inbound logistics, operations, outbound logistics, marketing and sales, and service. These activities form the core sequence of value creation within the firm. Support activities, such as procurement and human resource management, provide the necessary infrastructure to enable these primary functions. Together, all these activities determine the firm's total value and its potential for achieving a competitive advantage.

143. (D) Increased globalization and competition.
Modern marketing is being significantly shaped by the rapid increase in globalization and competition. Advances in technology and transportation have made it easier for companies to operate on a global scale, leading to more intense rivalry in almost every industry. At the same time, consumers have become more empowered with better access to information. To succeed in this environment, firms must be more agile, customer-centric, and innovative. This shift toward global competition requires a more strategic and holistic approach to marketing and brand management.

144. (D) The number of versions offered of each product in the line.
The depth of a product mix refers to the total number of different versions or variations that a company offers for each individual product within its lines. For example, a detergent might be available in various scents, sizes, and formulations. A deep product mix allows an organization to target specific consumer preferences and needs more precisely. Along with width, length, and consistency, depth is a key characteristic used to analyze and manage

NODIA

a firm's overall product portfolio and market presence.

145. (A) Corporate-owned retail outlets
A contractual vertical marketing system consists of independent firms at different levels of the channel that integrate their programs through formal legal agreements. Common forms include wholesaler-sponsored voluntary chains, retailer cooperatives, and franchise organizations. Corporate-owned retail outlets, however, represent a corporate VMS, where integration is achieved through single ownership of multiple stages of the channel. In a contractual system, the members remain independent but cooperate to achieve economies and sales impact that they could not achieve alone through their individual efforts.

146. (A) Market Penetration, Market Development, Product Development, Diversification
Ansoff's Matrix provides a framework for analyzing four distinct growth strategies based on the combination of products and markets. Market penetration focuses on increasing sales of existing products in existing markets. Market development involves selling current products to new markets. Product development focuses on introducing new products to existing markets. Diversification is the riskiest strategy, involving the launch of new products into new markets. These four categories are fundamental for understanding how a firm can systematically explore different paths for expansion and manage strategic risk.

147. (C) Undifferentiated marketing
Undifferentiated marketing, also known as mass marketing, is a strategy where a company ignores the differences between market segments and targets the entire market with a single offering. This approach focuses on common consumer needs rather than what is different between groups. The goal is to achieve economies of scale through mass production and mass promotion. While it can lead to lower costs, it can be difficult to satisfy the diverse needs of all consumers in a highly competitive and fragmented marketplace.

148. (D) To set the price
Advertising is a promotional tool used by organizations to communicate with their target audience through paid, non-personal channels. Its primary objectives are to inform consumers about a product, persuade them to choose it over competitors, and remind them of the brand's existence. While advertising can influence consumer perception of value, it is not used to set the actual price of the product. Pricing is a separate element of the marketing mix that is determined by costs, demand, and competitive factors within the broader strategic framework.

149. (B) b, d, and e only
Corporate strategies describe the overall direction of a firm and its approach to managing its portfolio of business units. A stability strategy aims to maintain the current course and status quo in a stable environment. Growth strategies, such as diversification and integration, are pursued to expand the firm's operations and market presence. Retrenchment strategies are not limited to recessions and can be used whenever performance is poor. Each of these strategies carries different levels of risk and requires different resource allocations to be successful.

150. (B) Support activity
In Michael Porter's Value Chain Analysis, procurement is categorized as a support activity. It involves the process of purchasing inputs, such as raw materials, supplies, and equipment, that are used across various primary and other support activities within the firm. While not directly involved in the physical creation or sale of the final product, efficient procurement is essential for controlling costs and ensuring the quality of inputs. This function provides the necessary foundation that enables primary activities like operations and logistics to be performed effectively.

151. (A) Direct marketing channel
A direct marketing channel is often referred to as a zero-level channel because it contains no intermediary levels between the producer and the final customer. In this system, the manufacturer sells directly to the buyer through methods such as company-owned stores, online platforms, or door-to-door sales. This approach allows the organization to maintain full control over the customer experience and brand message while capturing the entire profit margin. It is distinct

Downloaded from www.pdf.tube

from indirect channels that rely on wholesalers and retailers to reach the market.

152. (C) Outdated manufacturing facilities.
In a SWOT analysis, weaknesses are internal factors that negatively impact an organization's performance or its ability to achieve its goals. For a technology company, having outdated manufacturing facilities is a classic example of a weakness because it can lead to higher production costs, lower quality, and a reduced ability to innovate. Unlike threats, which are external, weaknesses are within the firm's control and can be addressed through strategic investment and operational improvement. Identifying these internal negative factors is critical for long-term success.

153. (D) The formal and informal processes and procedures used to manage the organization.
In the McKinsey 7S Framework, Systems refers to the formal and informal procedures and processes that run the organization on a day-to-day basis. This encompasses everything from financial and information systems to performance appraisal and manufacturing processes. These systems define how work is done and how decisions are made within the company. They are a "hard" element because they are relatively tangible and can be clearly documented. Aligning these systems with other elements like strategy and structure is essential for achieving organizational effectiveness.

154. (A) Both Statement I and Statement II are true, and Statement II is the correct explanation of Statement I.
In Porter's model, exit barriers are factors that make it difficult for firms to leave an industry, such as specialized assets or high closure costs. High exit barriers increase the intensity of rivalry because companies are forced to remain and compete even when returns are low or negative. This leads to persistent overcapacity and aggressive price-based competition. Therefore, both statements are true, and the second statement accurately explains why high exit barriers contribute to a more competitive and potentially less profitable industry environment.

155. (D) Staying within the same industry or value chain.
The key difference between integration and diversification as growth strategies is their relationship to the firm's current industry. Integration involves expanding operations within the same industry or value chain, such as acquiring a supplier or a competitor. This allows the firm to leverage its existing knowledge and achieve synergy. Diversification, in contrast, involves moving into completely new products and markets outside the firm's current area of operation. While integration stays within familiar territory, diversification explores entirely new and often unrelated business landscapes.

156. (B) Selectivity/Earnings
In the GE Business Model, the "yellow" zone represents business units that have moderate attractiveness and moderate competitive strength. For these units, the recommended strategy is one of selectivity and earning. This involves focusing on maintaining the current position and generating steady cash flow while being cautious about making large new investments. These units require careful management to ensure they remain profitable and do not slide into the "red" zone. This balanced approach helps the firm optimize its overall business portfolio and resource allocation.

NODIA

157. (B) Competitor strategies
The societal marketing concept is a philosophy that calls on organizations to balance three main considerations in their marketing decisions: company profits, consumer wants, and the long-term interests of society. This approach emphasizes that firms have a responsibility to not only satisfy their customers but also to contribute to the well-being of the broader community. While competitor strategies are important for tactical positioning, they are not one of the three foundational pillars of the societal marketing concept, which focuses on ethics and social responsibility.

158. (A) Idea Generation
The new product development process begins with idea generation, the systematic search for new product concepts. Organizations use various internal and external sources, such as employees, customers, and competitors, to generate a large

and support, as defined by a formal legal contract. This allows for centralized coordination and consistent standards across many locations while leveraging the capital and local market knowledge of the individual franchisees. It is a powerful method for achieving rapid expansion and channel integration while maintaining a high degree of operational control.

200. (D) Corporate strategy is about which businesses to be in; business strategy is about how to compete in a particular business.
Corporate strategy and business strategy represent different levels of strategic planning within a diversified organization. Corporate strategy focuses on the overall direction of the firm and decisions about which business units to include in its portfolio. Business strategy, in contrast, focuses on how a specific unit will compete effectively within its own industry to achieve a competitive advantage. While corporate strategy is about "where to compete," business strategy is about "how to win" in those chosen areas. Both must be aligned for overall success.

201. (B) Increased complexity and potential for cultural clashes.
Integration strategies, such as acquiring suppliers or competitors, can offer significant benefits like increased control, reduced competition, and access to new markets. However, they also carry substantial risks and disadvantages. One of the most significant is the increased organizational complexity and the potential for severe cultural clashes between the merging entities. These internal challenges can disrupt operations, lower employee morale, and ultimately prevent the firm from achieving the intended synergies. Successfully managing this integration requires strong leadership and a focus on aligning disparate cultures and systems.

202. (A) Non-substitutable
The Resource-Based Approach suggests that for a firm's resource to provide a sustainable competitive advantage, it must meet four criteria: it must be Valuable, Rare, Inimitable, and Non-substitutable (VRIN). Non-substitutable means that there are no strategically equivalent resources that competitors can use to achieve the same results. If a resource can be easily replaced by something else, any advantage it provides will be short-lived. This framework helps managers identify and protect the unique internal strengths that form the foundation of their organization's long-term success and market dominance.

203. (C) The Marketing Concept
The marketing concept is a management philosophy that puts the customer at the center of all business decisions. It argues that achieving organizational goals depends on understanding the needs and wants of target markets and delivering satisfaction more effectively than competitors. This deep focus on meeting consumer requirements and providing value is the most likely approach to lead to long-term customer relationships and brand loyalty. Unlike the production or selling concepts, it prioritizes enduring customer satisfaction over short-term sales volume or internal operational efficiency as the key driver of success.

204. (D) Reducing the number of ideas to spot good ones and drop poor ones.
Idea screening is the second stage in the new product development process, following idea generation. Its primary purpose is to filter out unpromising ideas as early as possible to ensure that resources are focused on the most viable opportunities. During this phase, management evaluates each idea based on criteria like potential profitability, technical feasibility, and alignment with the company's strategic objectives. By systematically reducing the number of ideas, the firm can avoid the high costs associated with developing products that are likely to fail in the market.

205. (C) Statement I is true, but Statement II is false.
The promotion mix consists of several key tools: advertising, sales promotion, public relations, personal selling, and direct marketing. Statement I correctly describes this specific blend of communication methods. However, Statement II is incorrect because Integrated Marketing Communications (IMC) argues for the careful coordination and unification of these tools to deliver a clear and consistent message, rather than keeping them separate. The goal of IMC is to create synergy by ensuring that all communication channels work together harmoniously to build a strong and unified brand identity.

Click Here to Buy book on Amazon

the maturity stage, the objective is to maximize profits while defending the existing market share. Finally, in the decline stage, the company aims to reduce expenditures and "milk" the brand for remaining cash. Matching these objectives with their respective PLC stages is essential for developing effective marketing strategies.

166. (B) A set of interdependent organizations involved in the process of making a product available for use or consumption.
A marketing channel, also known as a distribution channel, consists of a set of interdependent organizations—such as manufacturers, wholesalers, and retailers—that work together to make a product available for purchase by the final consumer. These partners perform essential functions like logistics, promotion, and sales. By coordinating their activities, channel members can improve the efficiency and effectiveness of the distribution process. This system ensures that products are available where, when, and how customers want to buy them, which is critical for business success.

167. (D) Relative Market Share
The BCG matrix uses two dimensions to evaluate a company's business portfolio. The horizontal axis represents the relative market share of a business unit, which is its market share compared to its largest competitor. A high relative market share indicates a strong competitive position and the potential for greater profitability. This dimension, combined with the market growth rate on the vertical axis, allows managers to categorize business units into stars, cash cows, question marks, and dogs. This analysis helps in making informed decisions about resource allocation across the firm.

168. (A) It can lead to an excessive focus on the product itself, rather than the benefits and solutions it provides.
Marketing myopia occurs when a company focuses too much on its specific products and loses sight of the underlying customer needs that those products are intended to satisfy. The product concept can lead to this problem because it assumes that consumers will favor products with the most quality and features, regardless of the actual benefits they provide. To avoid myopia, firms must focus on the solutions and experiences they offer rather than the physical items themselves. This ensures that the organization remains customer-centric and responsive to changing demands.

169. (C) A stable and predictable external environment.
Strategy implementation often involves significant organizational change, which can be hindered by employee resistance, poor communication, and a misalignment between the new strategy and the existing corporate culture. These factors create internal friction that makes the implementation process difficult. A stable and predictable external environment, however, is generally not considered a challenge to change. In fact, such an environment can make it easier for a firm to execute its plans because there are fewer external disruptions and uncertainties to manage during the transition.

170. (B) c and d only
Strategic management is a future-oriented process that is concerned with the long-term direction and scope of an entire organization. It involves making non-routine decisions that have a significant impact on the firm's competitive position and future success. While it requires rigorous analysis, it also involves managerial judgment and intuition. Furthermore, it is relevant for all types of organizations, including non-profits and small businesses. Therefore, its primary focus is on shaping the long-term future through proactive and strategic decision-making in a dynamic and uncertain environment.

171. (D) Economic
In the PEST analysis framework, the letter E stands for Economic factors. These represent the macroeconomic conditions that can impact an organization's operations and profitability, such as inflation rates, interest rates, economic growth, and exchange rates. Monitoring these factors is essential for strategic planning because they influence both consumer purchasing power and the company's cost of capital. By understanding the economic environment, firms can better anticipate changes in demand and adjust their pricing and investment strategies to remain competitive in a fluctuating marketplace.

Downloaded from www.pdf.tube

186. (B) Channel-based pricing
Pricing strategies are fundamental methods used by companies to set the prices of their products or services. Common types include cost-based pricing, value-based pricing, and competition-based pricing, each focusing on different factors like production costs, customer perception, or market rivalry. Channel-based pricing, however, is not a standard type of pricing strategy. While channel members influence final prices, the strategy itself is defined by how the organization determines the price level to achieve its objectives. Pricing decisions are a key part of the broader marketing mix and strategic planning process.

187. (D) Control channel behavior and manage channel conflict.
Vertical Marketing Systems were developed to overcome the conflicts and inefficiencies inherent in conventional marketing channels, where members act independently and often at cross-purposes. By integrating successive stages of production and distribution, a VMS allows for centralized leadership and coordinated behavior. This can be achieved through ownership, contracts, or the market power of a dominant member. The primary goal is to control channel behavior and manage conflict, ensuring that the entire system operates efficiently to deliver value to the customer and improve overall channel performance and profitability.

188. (A) Public Relations
Integrated Marketing Communications is a strategic approach that coordinates all of a company's promotional tools to deliver a clear and consistent message. A key component of an IMC program is public relations, which involves managing the organization's image and building positive relationships with various stakeholders. By integrating PR with other tools like advertising and sales promotion, the firm can create a more powerful and unified communication strategy. Other marketing mix elements like pricing and product design are important but are not direct components of the specific communication mix defined within IMC.

189. (B) b, d, and e only
In the McKinsey 7S Framework, the "hard" elements are those that are tangible, easily identified, and directly influenced by management decisions. These include strategy, structure, and systems. Strategy defines the firm's direction, structure represents the organizational hierarchy, and systems encompass the formal processes and procedures used to run the company. These hard components are typically documented in manuals and charts. The other four elements—shared values, skills, staff, and style—are considered "soft" because they are less tangible and more deeply embedded in the organizational culture and human dynamics.

190. (A) Both A and R are true and R is the correct explanation of A.
Strategy implementation is often considered more difficult than formulation because it involves the complex task of turning theoretical plans into practical results across an entire organization. This requires managing change, overcoming employee resistance, and coordinating activities among diverse groups with different interests. These human and organizational dynamics are much harder to control than the analytical process of planning. Therefore, both the assertion and the reason are true, and the reason accurately explains why implementation presents such a significant challenge for leadership in any large or complex organization.

191. (D) Market positioning
A perceptual map is a visual tool used in market positioning to display the perceptions of consumers regarding various brands or products. It plots these items along key dimensions, such as price and quality, to show how they are positioned relative to each other in the minds of the target audience. By analyzing these maps, companies can identify gaps in the market and determine the best way to differentiate their offering from competitors. This tool is essential for developing effective positioning strategies and communicating a unique value proposition.

192. (B) Concentric diversification
Concentric diversification is a growth strategy where a company adds new products or services that are related to its existing business. This approach allows the firm to achieve synergy by leveraging its current expertise, technologies, or distribution channels. By expanding into related areas, the organization can reduce risk while building on its established strengths. Unlike

NODIA

179. (C) Create awareness and build a brand image over time.
Advertising is a non-personal, paid communication tool used by organizations to reach a large audience through mass media. Its fundamental purpose is to build long-term brand awareness, preference, and image. Unlike sales promotion, which provides short-term incentives, advertising focuses on creating a distinctive and valued place for the brand in the consumer's mind. By consistently communicating the product's benefits and personality, advertising helps build brand equity and customer loyalty over time, which is essential for long-term success in a competitive and cluttered marketplace.

180. (D) Core purpose or reason for being.
A mission statement is a formal declaration of an organization's core purpose and its fundamental reason for existence. It answers the basic question: "What is our business?" This statement provides a sense of direction and identity for employees and helps guide strategic decision-making. Unlike a vision statement, which describes a desired future state, the mission focuses on the present and the unique path the company takes to achieve its goals. It is a foundational element that defines the firm's scope and its role in society.

181. (B) Buyers face high switching costs.
In Porter's Five Forces model, the bargaining power of buyers is reduced when they face high switching costs—the monetary or psychological costs of moving from one supplier to another. When it is difficult or expensive for buyers to change brands, they have less leverage to demand lower prices or better terms. Other factors that decrease buyer power include highly differentiated products and a lack of alternative suppliers. Conversely, low switching costs and standardized products increase buyer power, allowing them to play competitors against each other for better deals.

182. (A) Retrenchment strategy
A turnaround strategy is a type of retrenchment strategy aimed at reversing a period of declining performance and returning an organization to profitability. It involves internal measures such as cost-cutting, asset reduction, and operational improvements to stabilize the business. Unlike more extreme retrenchment strategies like divestment or liquidation, a turnaround focuses on fixing the current business from within. The goal is to make the firm leaner and more efficient, allowing it to eventually resume a path of growth and regain its competitive position in the industry.

183. (A) Both Statement I and Statement II are true.
The GE Business Model is a more sophisticated portfolio analysis tool than the BCG Matrix because it uses multiple factors to evaluate its two dimensions: industry attractiveness and business strength. While the BCG matrix relies on single measures—market growth and relative market share—the GE model incorporates a wider variety of variables, providing a more comprehensive and accurate analysis of a company's business units. Therefore, both statements are true, and the GE model is widely considered an advanced and more nuanced extension of the original BCG growth-share matrix.

184. (D) The number of employees and their capabilities.
In the McKinsey 7S Framework, Staff refers to the organization's people, including the total number of employees and their general capabilities and characteristics. This is considered a "soft" element because it relates to the human dimension of the company, which is often more difficult to quantify and change than hard structures. Aligning the staff with other elements like strategy and skills is essential for organizational effectiveness. Managing this element involves everything from recruitment and training to ensuring that employees are motivated and have the necessary talent to execute the strategy.

185. (C) Production concept
The production concept is a management philosophy based on the assumption that consumers will favor products that are widely available and highly affordable. This orientation is most appropriate when demand for a product exceeds its supply, as the primary goal of the organization is to increase production and achieve high efficiency to meet the market's needs. By focusing on mass distribution and low costs, the company can maximize its reach. However, it can lead to a neglect of customer preferences and a failure to differentiate the brand from competitors.

Click Here to Buy book on Amazon

volume of ideas. The goal of this stage is to create a pool of potential opportunities that can later be screened for viability and strategic fit. This creative phase is foundational, as it provides the raw material for the entire development cycle and determines the firm's future innovation pipeline.

159. (C) Skimming pricing
For a revolutionary new technology product with no direct competitors, price skimming is often the most suitable strategy. This involves setting a high initial price to capture the maximum revenue from early adopters who are willing to pay a premium for innovation. This approach allows the firm to recoup its high research and development costs quickly. Over time, as the technology matures and competition emerges, the company can gradually lower the price to reach more price-sensitive segments of the market and maintain growth.

160. (D) McKinsey 7S Framework : External Competitor Analysis
The McKinsey 7S Framework is a diagnostic tool used specifically for analyzing an organization's internal effectiveness and alignment across seven key elements. It is not designed for external competitor analysis. PEST analysis and Porter's Five Forces are more appropriate for evaluating the external environment. The BCG matrix is a tool used for corporate-level portfolio analysis and strategy formulation. Matching each strategic framework with its correct purpose is essential for conducting a comprehensive and accurate strategic analysis of both the firm and its competitive landscape.

161. (B) Has a weak competitive position in some or all of its product lines resulting in poor performance.
A retrenchment strategy becomes necessary when a firm experiences declining performance due to a weak competitive position in its core business areas. This strategy involves reducing the scope of operations through measures like cost-cutting, divestment, or turnaround to improve financial health and strategic focus. It is often a reactive response to financial distress or changing market conditions that have eroded the firm's profitability. By contracting its operations, the organization aims to stabilize its remaining business units and eventually return to a position of strength.

162. (A) Both A and R are true and R is the correct explanation of A.
The primary objective of a SWOT analysis is to develop strategies that achieve a good fit between an organization's internal capabilities and its external environment. A SO (Strengths-Opportunities) strategy is a clear example of this, as it involves using internal strengths to capitalize on favorable external conditions. By aligning these factors, the firm can maximize its potential for success. Therefore, both the assertion and the reason are true, and the reason provides a practical example that accurately explains how SWOT analysis informs strategic decision-making and alignment.

NODIA

163. (C) Geographic segmentation
Geographic segmentation is the process of dividing a market into different physical units, such as nations, states, regions, or cities. This approach assumes that consumers in different locations have diverse needs, preferences, and behaviors that are influenced by their local environment, climate, or culture. By grouping individuals based on where they live, companies can tailor their marketing programs and distribution strategies to better serve local markets. This basis for segmentation is often used by firms with wide geographical reach to improve their local relevance.

164. (D) Change management
Strategy implementation is often a challenge of change management because it requires the active alignment of an organization's culture, structure, and resources with a new strategic direction. This process involves overcoming employee resistance, communicating the new vision effectively, and ensuring that every part of the company is moving in the same direction. Successfully managing this transition is critical for turning a theoretical plan into practical results. Without effective change management, even the most brilliant strategy can fail due to internal organizational inertia and lack of support.

165. (C) P-3, Q-1, R-4, S-2
Marketing objectives change as a product moves through its life cycle. In the introduction stage, the primary goal is to create awareness and encourage trial. During the growth stage, the focus shifts to maximizing market share. In

conglomerate diversification, which involves unrelated businesses, concentric growth stays within the firm's broader industry. It is a common strategy for firms that want to capitalize on their core competencies while pursuing expansion.

193. (A) Perceived benefit differences between a specific offer and competitors.
Customer value is the customer's evaluation of the difference between the total perceived benefits received from a specific marketing offer and the total costs incurred to obtain it, relative to competing offerings. It is a subjective assessment of the "worth" of a product or service. Benefits can include functional utility, brand image, and service quality. A high perception of value occurs when the benefits significantly outweigh the costs, leading to higher satisfaction and loyalty. This concept is fundamental for developing competitive strategies and delivering superior customer experiences.

194. (C) Maturity
The maturity stage of the product life cycle is characterized by a slowdown in sales growth because the product has achieved acceptance by most potential buyers. This leads to intense competition as numerous firms fight for market share in a saturated market. To maintain their position, companies often engage in aggressive pricing, increased promotion, and product modification. While it is the stage with the highest total sales volume, the high costs of competition can erode profit margins, forcing firms to focus on efficiency and differentiation.

195. (A) P-2, Q-4, R-3, S-1
Strategic frameworks serve different purposes in the analysis and planning process. Porter's Five Forces is used for analyzing industry competitiveness and attractiveness. Value Chain Analysis helps in identifying specific activities within a firm that create a competitive advantage. SWOT analysis is a broad tool for auditing both internal and external factors. Ansoff's Matrix is used for identifying and evaluating different growth opportunities. Matching these frameworks with their intended purposes is essential for selecting the right tool for a given strategic challenge and conducting a comprehensive business analysis.

196. (B) Generate maximum short-to-medium-term cash flow with minimal new investment.
The primary objective of a harvest strategy is to generate the maximum amount of short-to-medium-term cash flow from a business unit by significantly reducing all maintenance and investment costs. This strategy is typically applied to units in mature or declining industries where long-term growth potential is low. By "milking" the unit for cash, the organization can reallocate funds to more promising, high-growth business areas. It is a calculated decision to prioritize immediate financial returns over the long-term sustainability of the specific business unit or product line.

197. (B) Better match its marketing mix to the needs of specific groups of customers.
A key benefit of market segmentation is that it allows a company to divide a broad and diverse market into smaller, more homogeneous groups of consumers. By identifying these specific segments, the organization can better tailor its marketing mix—product, price, place, and promotion—to meet the unique needs and preferences of each group. This targeted approach is more effective and efficient than using a single, broad offer. It leads to higher customer satisfaction, stronger brand loyalty, and a more effective use of the firm's marketing resources.

198. (A) Place
The "place" element of the marketing mix, also known as distribution, encompasses all the activities involved in making a product or service available to the target customer. This includes critical tasks related to supply chain management, logistics, inventory control, and channel selection. Decisions about where and how the product is sold are essential for ensuring that it is available when and where consumers want to buy it. Effective place management ensures that the distribution system is efficient and responsive, which is a key driver of overall customer satisfaction.

199. (C) Contractual VMS
A franchise organization is the most common and prominent type of contractual vertical marketing system. In this arrangement, a franchisor grants independent franchisees the right to operate a business using the franchisor's brand, systems,

Downloaded from www.pdf.tube

172. (B) Resources are heterogeneous and not perfectly mobile.
A key assumption of the Resource-Based Approach is that firms within an industry possess different bundles of resources, making them heterogeneous. Furthermore, these resources are not perfectly mobile, meaning they cannot be easily transferred or traded between companies. This lack of mobility allows a firm to maintain a competitive advantage if its unique resources are valuable, rare, inimitable, and non-substitutable. This perspective shifts the focus from industry-wide factors to the unique internal strengths of the individual firm as the primary driver of superior performance.

173. (C) Concentration
Concentration is the most common form of corporate growth strategy, where a firm focuses its resources on its core business areas. This involves expanding within existing products or markets to achieve a dominant competitive position. By concentrating on what it does best, the organization can leverage its expertise and achieve significant economies of scale. Unlike diversification or liquidation, this strategy seeks to maximize growth in familiar territory. It is a fundamental path for expansion for firms that want to capitalize on their established strengths and market presence.

174. (D) Market Penetration
In Ansoff's Matrix, market penetration is considered the growth strategy with the least risk because it involves selling existing products in existing markets. The firm is already familiar with the product technology and the needs and behaviors of its current customers. Growth is achieved through more aggressive marketing, such as increasing promotion or lowering prices, to gain a larger share of the current market. Because it builds on established strengths and requires minimal new learning, it is the safest option for expansion compared to other strategies.

175. (A) All seven elements must align and interplay to determine organizational effectiveness.
The central logic of the McKinsey 7S Framework is that an organization's effectiveness depends on the holistic alignment and interaction of its seven internal elements. These factors—three hard and four soft—are deeply interconnected, meaning that a change in any one element will inevitably affect all others. For a strategy to be successfully implemented, it must be supported by the company's structure, systems, staff, skills, style, and shared values. This holistic approach ensures that the entire organization is coordinated and moving together toward its goals.

176. (B) Brand marketing
Market segmentation can be conducted at several levels, including mass marketing (no segmentation), segment marketing (grouping by similar needs), and niche marketing (focusing on a specific sub-segment). Micromarketing is the most detailed level, targeting specific individuals or local groups. Brand marketing, however, is not a level of segmentation. Instead, it is a set of activities aimed at creating a distinctive identity and value for a product. Segmentation describes how the market is divided, while branding is about how the firm presents its offering to those segments.

177. (B) The complete set of all products and items offered by a seller.
A product mix, also known as a product assortment, refers to the complete set of all product lines and individual items that a particular company offers to its customers. It is described by four key dimensions: width, length, depth, and consistency. Managing the product mix is a critical strategic task that involves making decisions about adding or pruning products to ensure the portfolio remains aligned with market demands and organizational objectives. A well-managed mix helps the firm maximize revenue and its overall competitive position.

178. (B) 2, 3, 1
Marketing channels are described by the number of intermediary levels between the producer and the final consumer. A direct channel (Manufacturer to Consumer) has zero levels and is the shortest. A one-level channel (Manufacturer to Retailer to Consumer) is longer, and a two-level channel (Manufacturer to Wholesaler to Retailer to Consumer) is longer still. The length of the channel depends on factors like product type, market size, and the firm's resources. Selecting the appropriate channel length is a key strategic decision in distribution and place management.

NODIA

206. (B) Socio-cultural
In the PEST framework, socio-cultural factors encompass the broader societal trends and demographic shifts that can impact an organization's performance and market demand. This includes the analysis of population demographics, consumer lifestyles, social values, and cultural norms. These factors directly influence what products people buy, how they use them, and how they respond to marketing messages. By monitoring these trends, companies can anticipate changes in consumer behavior and adapt their strategies and offerings to stay relevant in a dynamic and ever-changing social environment.

207. (D) Stability strategy
A no-change strategy is a type of stability strategy where a company decides to maintain its current course and continue its operations as they are, without making significant strategic shifts. This approach is typically taken when the firm is satisfied with its performance and perceives the environment to be stable and predictable. While it avoids the risks of aggressive expansion or contraction, it requires the organization to stay vigilant. It is a conscious choice to focus on incremental improvements rather than pursuing new growth or retrenchment initiatives at that time.

208. (B) a, c, and e only
The BCG Matrix, also known as the Growth-Share Matrix, was developed by the Boston Consulting Group. It uses two dimensions—market growth rate and relative market share—to categorize a company's business units into four quadrants. Cash cows, which have high share in low-growth markets, are correctly identified as a primary source of funds for other units. However, "Dogs" are not always divested immediately; they may be harvested first. This tool provides a simple yet effective way for managers to evaluate their business portfolio and make informed resource allocation decisions.

209. (B) Organizational effectiveness depends on the alignment and interaction of multiple factors.
The fundamental logic of the McKinsey 7S Framework is that an organization's success and effectiveness depend on the holistic alignment and interaction of its seven internal elements. These factors—strategy, structure, systems, shared values, skills, staff, and style—are deeply interconnected, meaning that a change in any one element will inevitably affect all others. This model emphasizes that managing an organization requires a balanced approach that addresses both hard structural dimensions and soft cultural factors. Successful implementation of any strategy requires all seven elements to be in harmony.

210. (A) Positioning
Positioning is the act of designing a company's offering and image so that it occupies a distinctive, valued, and desirable place relative to competing products in the minds of target consumers. It involves identifying a unique selling proposition and communicating it effectively through the marketing mix. Successful positioning ensures that the product is perceived as superior or different from rivals on key attributes that matter to the customer. This mental image is critical for building brand preference, achieving a competitive advantage, and ensuring long-term success in the marketplace.

211. (D) Integration
Pricing strategies are fundamental methods used by companies to set the prices of their products or services based on market conditions and goals. Common types include skimming, penetration, and psychological pricing. Each serves a different purpose, such as capturing high value or gaining market share quickly. Integration, however, is not a type of pricing strategy. Instead, it is a broader corporate growth strategy related to expanding operations within an industry or value chain. Pricing decisions are a key part of the tactical marketing mix used to execute strategic plans.

212. (A) Both A and R are true and R is the correct explanation of A.
The choice of marketing channels can be a powerful source of competitive advantage because a well-designed and managed distribution system is difficult for rivals to replicate. Such a system ensures that products are available exactly where, when, and how customers want to buy them, which directly enhances customer satisfaction. Both the assertion and the reason are true, and the reason accurately explains how effective channel management creates value and

Click Here to Buy book on Amazon

builds barriers to entry, helping the firm achieve a sustainable and superior position in its target market.

213. (B) They are easily reversible.
Strategic decisions are characterized by their long-term impact and the significant resources they require to implement. They are typically made by top-level management and set the overall direction for the organization. Because they involve substantial commitment and have far-reaching consequences for the firm's future, they are generally very difficult and costly to reverse once they have been put into action. Routine and easily reversible choices are classified as operational or tactical decisions, as they deal with short-term activities rather than the organization's fundamental long-term strategy.

214. (D) Tactical decision
A firm's decision to launch a new advertising campaign is best described as a tactical decision. While it supports the broader corporate and business strategies, it is focused on a specific promotional activity with a medium-term impact. Tactical decisions bridge the gap between long-term strategic plans and daily operational tasks. They involve the effective allocation of resources within a functional area, such as marketing, to achieve specific objectives. Unlike strategic decisions, which define the organization's fundamental direction, tactical choices are concerned with the specific actions used to execute those plans.

215. (A) Primary activity
In Michael Porter's Value Chain Analysis, "Service" is categorized as a primary activity. It encompasses all the activities performed to enhance or maintain the value of the product after it has been sold and delivered to the customer, such as installation, repair, training, and parts supply. These activities are directly involved in ensuring customer satisfaction and building long-term relationships. Along with logistics, operations, and marketing, service is a core part of the sequence through which an organization creates value and achieves a competitive advantage in its market.

216. (B) Divestment
Divestment is a type of retrenchment strategy where a company sells off a division or product line that no longer fits its core strategy, even if that unit is still profitable. This is often done to raise capital for more promising business areas or to refocus the organization on its primary competencies. By shedding non-core assets, the firm can improve its strategic focus and simplify its operations. It is a proactive strategic move to optimize the business portfolio and ensure that resources are allocated to where they can create the most value.

217. (A) P-4, Q-2, R-3, S-1
Ansoff's Matrix provides a framework for analyzing four growth strategies based on the combinations of products and markets. Market penetration involves selling existing products in existing markets. Market development focuses on selling current products in new markets. Product development involves introducing new products into existing markets. Diversification is the riskiest, involving new products in new markets. Matching these strategies with their correct definitions is essential for understanding how a company can systematically explore different paths for expansion and manage the relative risks and rewards associated with each strategic option.

NODIA

218. (A) More tangible and can be influenced by management directly.
In the McKinsey 7S Framework, the "hard" elements—strategy, structure, and systems—are considered easier to change because they are more tangible and formal. These components can be directly influenced by management through official decrees, organizational charts, and written procedures. They are clearly defined and can be documented in plans and manuals. In contrast, the "soft" elements like culture and values are more deeply embedded in human behavior and are therefore more difficult to quantify and manipulate. Hard elements provide the formal framework within which the softer dimensions operate.

219. (C) Customer
The marketing concept is a management philosophy that puts the customer at the center of all business decisions. It argues that achieving

organizational goals depends on understanding the specific needs and wants of target markets and delivering satisfaction more effectively and efficiently than competitors. This customer-centric approach focuses on building long-term relationships and creating superior value. Unlike orientations that prioritize production efficiency or aggressive selling, the marketing concept views customer satisfaction as the primary driver of profitability and success in a competitive and dynamic marketplace.

220. (D) Unique Selling Proposition (USP)
The key to successful market positioning is to identify and communicate a Unique Selling Proposition (USP)—a specific benefit or feature that makes a product stand out from all its competitors. A strong USP clearly tells consumers why they should choose your brand over others. By focusing on a distinctive and valued attribute, a company can create a clear and desirable place for its offering in the target audience's mind. This differentiation is critical for building brand preference, achieving a competitive advantage, and ensuring long-term success in the marketplace.

221. (D) Growth
The growth stage of the product life cycle is typically the most profitable phase for the pioneering company. During this stage, sales increase rapidly as the product gains market acceptance, and the firm can benefit from economies of scale and lower per-unit costs. While competition increases, the overall market is expanding quickly enough to support multiple players. Although the maturity stage has higher total sales volume, the intense rivalry and high marketing costs in that phase often lead to lower profit margins compared to the dynamic and expanding growth stage.

222. (B) Lower initial investment in infrastructure.
A direct marketing channel offers several advantages, such as more control over the selling process, closer customer relationships, and no sharing of profits with intermediaries. However, it typically requires a significantly higher initial investment in infrastructure, such as company-owned stores, logistics, and a direct sales force. This can be a major disadvantage for smaller firms with limited capital. Indirect channels, which rely on wholesalers and retailers, allow companies to reach the market with much lower upfront costs by leveraging the established infrastructure and reach of their channel partners.

NODIA

223. (C) They are specific, measurable results an organization aims to achieve.
In the strategic management process, objectives are specific, measurable, achievable, relevant, and time-bound results that an organization aims to achieve within a certain period. They bridge the gap between the broad mission and the detailed action plans. Objectives provide a clear target for management and employees and serve as a basis for evaluating performance and success. By setting clear objectives, the firm can ensure that its resources and activities are aligned and focused on achieving its long-term strategic goals in a coordinated and effective manner.

224. (B) Technological : Rise of e-commerce and the internet
The PEST analysis framework helps organizations monitor macro-environmental factors that can impact their business. A correct pairing involves identifying a factor and its relevant category. The rise of e-commerce and the internet is a classic example of a technological factor because it represents an advancement in technology that has fundamentally changed how businesses operate and reach customers. Other categories like political, economic, and social cover different issues like government stability, inflation, and lifestyle trends. Correctly classifying these environmental forces is essential for conducting a thorough and accurate strategic analysis.

225. (C) Difficult for competitors to copy or acquire.
In the Resource-Based Approach, a resource is considered inimitable if it is difficult or costly for competitors to copy, acquire, or duplicate. This characteristic is essential for providing a sustainable competitive advantage. Inimitable resources often result from unique historical conditions, causal ambiguity, or social complexity. If a resource can be easily replicated, any advantage it provides will be short-lived. By identifying and protecting these hard-to-copy internal strengths, an organization can create barriers that protect its competitive position and ensure long-term success in its target market.

specifically addressing which businesses or industries the firm should participate in. Choosing to exit one market, like consumer electronics, while simultaneously entering another, such as renewable energy, represents a high-level strategic shift. This type of decision occurs at the apex of the organizational strategy hierarchy to ensure long-term growth.

253. (C) achieve and maintain a long-term competitive advantage.
The core purpose of the strategic management process is to manage strategy effectively to enhance long-term performance and ensure organizational survival. By aligning internal resources with the external environment, firms aim to develop a sustained competitive advantage. This focus allows an organization to outperform rivals consistently over time rather than merely reacting to short-term operational fluctuations or temporary financial targets.

254. (D) strategy can arise from both planned initiatives and autonomous actions.
Strategy development within an organization is not limited to formal, top-down planning initiatives. While deliberate strategies involve planned and intentional actions, emergent strategies arise from autonomous actions taken at various levels of the company. This distinction highlights that successful strategic paths can evolve naturally from internal responses to environmental changes, rather than being exclusively the result of meticulously detailed advance planning.

255. (C) creating an advertising campaign to support a product launch.
Functional-level strategies concern the specific operational methods and actions taken by individual departments to support broader business and corporate objectives. For a marketing department, this involves practical tasks such as designing and executing advertising campaigns to support product launches. These decisions focus on maximizing productivity and effectiveness within a specific area of expertise to contribute to the overall success of the organization.

256. (B) To recognize opportunities and threats in the environment.
External analysis is a critical component of strategic planning that evaluates factors outside the direct control of the organization. Its primary goal is to identify environmental opportunities that can be exploited and threats that must be mitigated. By systematically reviewing the macro-environment and industry landscape, a firm gains the necessary insights to align its internal capabilities with external market conditions effectively.

257. (D) the rivalry among existing competitors is very intense.
Porter's Five Forces model evaluates industry attractiveness by examining competitive pressures. High intensity of rivalry among existing competitors typically leads to price wars, increased advertising costs, and frequent product enhancements, which collectively reduce the inherent profitability of the industry. When competition is fierce, firms struggle to maintain high margins, making the sector less attractive for sustained growth compared to less competitive environments.

258. (A) PEST Analysis.
PEST analysis is a framework used to scrutinize the macro-environmental factors that impact an organization. Analyzing new data privacy laws falls under the legal or political dimension, while examining changing consumer spending habits relates to economic or social trends. This broad examination helps the firm understand the external forces shaping its industry, allowing it to adapt its strategy to wide-scale environmental changes.

259. (C) Assessing the influence of a small number of critical component providers on industry players.
The bargaining power of suppliers refers to the pressure that providers of raw materials or components can exert on industry participants. When a small number of providers control critical inputs, they have more leverage to raise prices or reduce quality. Assessing how these essential providers influence the costs and operations of firms within an industry is a fundamental aspect of competitive analysis.

Downloaded from www.pdf.tube

structure ensures that all activities are aligned and contribute to the organization's overarching goals.

233. (B) There are many substitute inputs available.
In Porter's Five Forces model, the bargaining power of suppliers is low when there are many alternative or substitute inputs available to the industry. When buyers can easily switch from one supplier to another without significant cost or quality issues, the suppliers have less leverage to demand higher prices or dictate terms. Other factors that decrease supplier power include a lack of concentration among suppliers and the existence of many competitors in the supply market. Conversely, unique and critical inputs from highly concentrated suppliers increase their bargaining power significantly.

234. (D) Technology Development
In Michael Porter's Value Chain model, technology development is categorized as a support activity. It encompasses the activities related to improving the product and the processes through which it is created, such as research and development, process automation, and software design. While not directly involved in the physical creation or sale of the product, technology development is essential for innovation and enhancing the effectiveness of both primary and other support activities. This function provides the organization with the capabilities needed to maintain a competitive advantage through continuous improvement.

235. (D) Retrenchment strategy
Divestiture is a type of retrenchment strategy where a company sells off a portion of its business, such as a division, a product line, or a subsidiary. This is often done to raise capital, refocus on core competencies, or exit an unprofitable market. By shedding non-core or underperforming assets, the organization can improve its strategic focus and financial health. It is a more severe action than a turnaround but less extreme than liquidation. Divestment is a proactive move to optimize the business portfolio and ensure resources are well-allocated.

236. (B) Incorporating a wider range of factors to determine industry attractiveness and business strength.
The GE Business Model improves upon the BCG Matrix by incorporating a much wider range of factors to determine its two dimensions: industry attractiveness and business strength. While the BCG matrix relies on single measures—market growth and relative market share—the GE model uses multiple variables like market size, competitive intensity, brand reputation, and production capacity. This multidimensional approach provides a more comprehensive and nuanced analysis of a company's business portfolio, making it a more sophisticated tool for strategic decision-making and resource allocation across a diversified organization.

237. (C) It is the central foundation upon which all other elements are built.
In the McKinsey 7S Framework, the letter S stands for Shared Values, which are placed at the center of the model to signify their role as the foundation upon which all other elements are built. Shared values represent the core beliefs and guiding principles that define the organization's culture and purpose. They influence the behavior of employees and the overall strategic direction. When these values are strong and aligned with other elements like strategy and structure, they provide a powerful source of organizational cohesion and are critical for achieving long-term effectiveness.

238. (A) Both Statement I and Statement II are true.
Customer satisfaction is a psychological state determined by how a product's perceived performance compares to the buyer's expectations. Smart companies aim to maximize satisfaction and delight customers by managing these expectations carefully—promising only what they can deliver and then striving to deliver even more. This proactive approach builds trust and brand loyalty. Both statements are true, as they describe the fundamental principles of achieving high customer satisfaction, which is essential for building enduring relationships and ensuring long-term success in a highly competitive market environment.

NODIA

268. (A) The firm is in a mature industry and is content with its steady performance.
A stability strategy is typically adopted when an organization is satisfied with its current level of performance and operates in a stable environment. This approach focuses on maintaining the status quo and continuing existing operations without significant changes in direction. It is often most appropriate for firms in mature industries where risks are low and there is little pressure for rapid expansion.

269. (C) a reduction in the company's scope of operations.
Retrenchment strategies are employed when an organization needs to regroup and scale back its operations, often due to poor performance or a hostile economic environment. Divestment specifically involves selling off a portion of the business or a specific product line. The primary goal is to reduce the overall scope of operations to improve the company's financial health and focus on core strengths.

270. (D) strategic analysis of the internal and external environments.
The process of strategy formulation involves synthesizing information gathered from various assessments to develop a long-term plan. Logically, this stage follows the strategic analysis of both the internal and external environments. Without first identifying internal strengths and weaknesses, as well as external opportunities and threats, an organization cannot make informed decisions about its corporate-level strategies or determine its future strategic direction.

271. (C) Harvest the unit for cash to fund other promising units.
A 'Cash Cow' in the BCG Matrix represents a business unit with a high relative market share in a low-growth industry. Because the industry is mature, these units typically generate more cash than is required for their own maintenance or growth. The strategic recommendation is to harvest the cash generated by these units to fund other promising segments, such as Stars.

272. (B) uses multiple factors to assess its two key dimensions.
The GE Business Model, or GE/McKinsey Matrix, offers a more sophisticated analysis of a business portfolio than the BCG Matrix. While the BCG Matrix relies on two simple metrics—market growth and market share—the GE model uses multiple factors to assess its two dimensions. This approach provides a nuanced view of industry attractiveness and business strength, allowing for more detailed strategic decision-making.

273. (D) Market Development
Market development is a growth strategy identified in Ansoff's Matrix that involves introducing existing products into new geographical areas or customer segments. When a company launches its current line of smartphones in a new country, it is seeking growth by expanding its market reach rather than changing the product itself. This strategy leverages established product success to capture opportunities in untapped markets.

274. (A) high market growth and low relative market share.
In the BCG Matrix, a 'Question Mark' is a business unit operating in a high-growth market but holding a low relative market share. These units require significant investment to increase their share and potentially become 'Stars.' Management must decide whether to invest heavily to capture more of the growing market or to divest if the unit's competitive position does not improve.

275. (C) To provide frameworks for managing a portfolio of businesses and guiding growth strategy.
The BCG Matrix, GE Business Model, and Ansoff's Matrix all serve as strategic frameworks for managing a company's portfolio of businesses. Their common purpose is to provide a structured way for executives to evaluate different business units or product lines and make informed decisions about resource allocation and future growth. These tools guide long-term planning and help identify the best expansion paths.

276. (A) The need to overcome organizational inertia and manage change.
Strategy implementation is often considered more challenging than formulation because it requires translating a plan into specific organizational actions. A primary reason for this difficulty is the need to manage change and overcome organizational inertia. Employees

Click Here to Buy book on Amazon

is essential for conducting a portfolio analysis and making informed decisions about resource allocation. This simple framework provides a powerful way for managers to evaluate their business units and develop appropriate strategic plans for each one.

246. (B) Meeting organizational goals requires delivering customer satisfaction more effectively than competitors.
The fundamental assumption of the marketing concept is that achieving an organization's goals depends on its ability to understand the needs and wants of its target markets and deliver the desired satisfaction more effectively and efficiently than its competitors. This customer-centric philosophy focuses on building long-term relationships and creating superior value as the primary path to success. Unlike the production or selling concepts, it prioritizes understanding the consumer over internal efficiency or aggressive tactics, ensuring the firm remains responsive to the dynamic and competitive market environment.

247. (A) Introducing the product and its proposed marketing program into realistic market settings.
Test marketing is a critical stage in the new product development process that involves introducing the product and its proposed marketing mix into realistic market settings. This allows the company to evaluate the product's performance and the effectiveness of the marketing program before committing to a full-scale launch. By gathering data on consumer response and competitor reactions in a controlled environment, the firm can identify potential issues and make necessary adjustments to its strategy, significantly reducing the risk of failure during the expensive commercialization phase.

248. (B) Introduction
The choice between price skimming and penetration pricing is most relevant during the introduction stage of the product life cycle, when a new product is first launched. Skimming involves setting a high initial price to capture value from early adopters, while penetration pricing uses a low initial price to quickly gain market share. The selected strategy depends on factors like market sensitivity, competition, and the firm's objectives. Making the right pricing decision at this early stage is critical for establishing a market presence and determining the product's long-term success.

249. (D) All of the above
A PEST or PESTLE analysis is a comprehensive tool used by organizations to monitor and analyze the macro-environmental factors that can impact their operations. The framework includes political, economic, social, technological, environmental, and legal factors. Each of these categories covers different environmental forces, such as government regulation, economic growth, demographic trends, R&D activity, climate change, and labor laws. By conducting a thorough PESTLE analysis, a firm can identify emerging opportunities and threats and develop more effective and resilient strategic plans that are well-aligned with the broader environment.

250. (A) Achieve and maintain a sustainable competitive advantage.
The ultimate goal of strategic management is to achieve and maintain a sustainable competitive advantage over time. This involves continuously analyzing the internal and external environments to make decisions that differentiate the firm from its rivals. By leveraging unique resources and capabilities, an organization can create superior value for its customers. This enduring edge ensures long-term profitability and survival, allowing the company to thrive even in highly volatile and competitive market conditions. Strategic management provides the framework for achieving this essential and enduring competitive position.

NODIA

251. (B) A dynamic and continuous cycle of analysis, formulation, and implementation.
Strategic management is defined as a comprehensive and ongoing process that organizations use to achieve a sustained competitive advantage. This process involves a dynamic cycle consisting of three primary stages: strategic analysis, strategy formulation, and strategy implementation. It is not a static or one-time event but rather a continuous effort to align internal capabilities with external opportunities and threats.

252. (A) Corporate-level strategy
Corporate-level decisions focus on the fundamental direction of the entire organization,

285. (C) build long-term relationships by ensuring value and satisfaction.
A key task of modern marketing is to build and maintain long-term relationships with customers. This transition from simple transactions to relationship building hinges on consistently delivering high customer value and ensuring high levels of satisfaction. By focusing on these outcomes, market-oriented firms encourage repeat purchases and create loyal brand advocates, which are essential for sustainable growth and survival in a competitive environment.

286. (D) Segmentation, Targeting, Positioning
The strategic marketing process follows a specific logical sequence: segmentation, targeting, and positioning. First, the organization divides the broad market into homogeneous subgroups through segmentation. Next, it evaluates these segments to select the most attractive ones to pursue during the targeting phase. Finally, the company develops a distinct image for its offering in the minds of those target consumers through strategic positioning.

287. (C) divide a diverse market into more uniform subgroups.
Market segmentation is the strategic process of dividing a large, heterogeneous market into smaller, more homogeneous subgroups. The primary purpose is to group consumers who share similar needs, characteristics, or behaviors. By doing so, a firm can design more effective marketing strategies tailored to the specific requirements of each group, rather than attempting to appeal to everyone with a single, generic approach.

288. (B) Positioning.
Positioning is the act of designing a company's offering and brand image so that it occupies a clear, distinct, and desirable place in the minds of target consumers. This process ensures that the product is perceived as unique relative to competing products. It serves as the foundation for brand identity and is typically communicated through consistent messaging within the overall marketing mix.

289. (D) Targeting.
Targeting is the second step in the strategic marketing process, occurring after a market has been segmented. It involves evaluating the attractiveness of each identified segment based on factors like size, growth potential, and structural competition. After this evaluation, the firm selects one or more specific segments to enter, ensuring that the chosen markets align with the company's overall objectives and resources.

290. (A) The segment must be substantial enough to be profitable.
For market segmentation to be effective, the identified segments must meet certain criteria, including being measurable, accessible, substantial, and actionable. A segment is considered substantial if it is large or profitable enough to justify a dedicated marketing program. Companies need to ensure that the subgroup they choose to target has enough potential revenue to warrant the costs of developing tailored products and promotions.

291. (C) Product mix width.
Product mix width refers to the total number of different product lines that a particular seller offers for sale. When a company decides to manufacture distinct types of vehicles, such as cars, trucks, and motorcycles, it is making a decision about the breadth of its product portfolio. Increasing the width allows a firm to diversify its offerings and appeal to multiple market segments.

292. (A) Maturity
The maturity stage of the Product Life Cycle is typically characterized by peak sales volume and intense competition as the market becomes saturated. During this phase, companies focus heavily on product differentiation and building brand loyalty to maintain their market share against rivals. Marketing strategies often shift toward defending the product's position and finding new ways to add value for increasingly price-sensitive consumers.

293. (D) Market-skimming pricing
Market-skimming pricing is a strategy where a firm sets a high initial price for a new, innovative product to 'skim' revenues layer by layer from the market. This approach targets early adopters who are willing to pay a premium for the latest technology. Over time, the company may lower

Downloaded from www.pdf.tube

260. (A) complementary tools for a comprehensive external analysis.
PEST analysis and Porter's Five Forces are complementary tools used to gain a comprehensive understanding of a firm's external environment. While PEST analysis provides a broad view of macro-environmental trends like technological and political shifts, Porter's model offers specific insights into the competitive dynamics of a particular industry. Utilizing both frameworks ensures that strategic decisions are informed by both global and industry-specific factors.

261. (D) From its unique combination of resources and capabilities.
The Resource-Based Approach suggests that a firm's unique bundle of internal resources and capabilities serves as the foundation for its competitive advantage. Instead of looking solely at external industry position, this view emphasizes that superior performance comes from possessing assets that are valuable and rare. When these resources are also difficult for rivals to imitate or substitute, they provide a long-term advantage.

262. (B) Marketing and Sales
In Value Chain Analysis, primary activities are those directly involved in the physical creation, sale, and maintenance of a product or service. Marketing and sales is categorized as a primary activity because it involves communicating with customers and facilitating the purchase process. Other primary activities include logistics and operations, while functions like human resources and infrastructure are considered support activities that enable these processes.

263. (C) rare and difficult to imitate.
According to the Resource-Based View, for a resource to provide a sustained competitive advantage, it must have specific characteristics. A proprietary technology that competitors cannot easily or cheaply duplicate is considered rare because few firms possess it. Additionally, being difficult and costly to copy makes it highly inimitable. These traits ensure that the technology remains a unique source of value for the firm.

NODIA

264. (D) To identify activities within the firm that create value and incur costs.
The principal goal of Value Chain Analysis is to disaggregate a firm into its strategic activities to identify how value is created. By examining the costs and value generated at each step of the process, a company can pinpoint specific areas where it can build a competitive edge. This helps in identifying sources of inefficiency to eliminate and activities where differentiation can occur.

265. (A) identifying the organization's inherent strengths and weaknesses.
Internal analysis focuses on an inward-looking assessment of an organization to identify its core strengths and weaknesses. This evaluation is essential for formulating strategies that effectively leverage what the company does best while addressing areas of vulnerability. Unlike external analysis, which scans for environmental opportunities and threats, internal analysis examines the resources, capabilities, and activities that determine the firm's overall performance.

266. (B) To serve as an integrative framework matching internal factors with external factors.
SWOT analysis serves as a central integrative framework during the strategy formulation process. It works by matching an organization's internal strengths and weaknesses with the opportunities and threats present in the external environment. This systematic matching helps managers develop strategic plans that capitalize on internal advantages to exploit market opportunities while mitigating external risks and addressing internal deficiencies that could hinder performance.

267. (B) Vertical Integration
Vertical integration is a growth strategy where a company expands its operations into different stages of its own production or distribution chain. When a large retail firm acquires its primary supplier of raw materials, it is performing backward vertical integration. This move allows the company to gain more control over its supply chain, potentially reducing costs and ensuring the consistent quality of inputs.

239. (A) Core Customer Value
The most basic level of a product is the core customer value, which addresses the fundamental question: "What is the buyer really buying?" It represents the core benefit or problem-solving service that the customer is seeking. For example, a person buying a drill is really buying a hole. Identifying this core value is essential for developing the actual product and its augmented features. By focusing on the underlying need being satisfied, companies can develop more effective marketing strategies and offerings that provide real value to their target audience.

240. (B) Stimulate quicker or greater purchase of a product.
Sales promotion consists of short-term incentives, such as discounts, coupons, and contests, designed to stimulate quicker or greater purchase of a product or service. Its primary purpose is to encourage immediate action from consumers or channel members. While advertising focuses on building long-term brand awareness and image, sales promotion is action-oriented and temporary. In an effective marketing mix, both tools are used together to achieve both immediate sales goals and long-term brand objectives, ensuring the organization remains competitive and responsive to market demands.

241. (B) Personality traits
Behavioral segmentation involves dividing a market into groups based on their knowledge of, attitude toward, use of, or response to a product. Variables include occasions, user status, usage rate, and benefits sought. Personality traits, however, are a basis for psychographic segmentation, which focuses on the underlying psychological characteristics of consumers. While behavioral factors describe "how" people buy, psychographic factors explain "why" they buy. Both are important for understanding the target audience, but they represent different approaches to dividing a broad and heterogeneous market into smaller groups.

242. (A) Both A and R are true and R is the correct explanation of A.
A Vertical Marketing System (VMS) is a unified channel where members work together under a single leadership, while a conventional marketing channel consists of independent organizations pursuing their own goals. In a VMS, coordination is achieved through ownership, contracts, or the market power of a dominant member. This integration helps eliminate conflict and improve efficiency. Both the assertion and the reason are true, and the reason accurately explains the fundamental difference in structure and coordination between these two types of distribution systems, which is critical for effective channel management.

243. (C) Defining the mission and vision
The strategic management process typically begins with defining the organization's mission and vision. The mission statement describes the company's core purpose and reason for existence, while the vision statement outlines its desired future state and aspirations. These foundational elements provide a sense of direction and help guide all subsequent stages of the process, including environmental analysis, strategy formulation, and implementation. By clearly defining its purpose and goals from the start, the organization can ensure that its strategies and activities are well-aligned and focused on long-term success.

244. (D) Potential anti-trust issues and regulatory scrutiny.
Horizontal integration involves a company acquiring or merging with its competitors to increase market share and power. While it offers benefits like economies of scale, its most significant disadvantage is the potential for anti-trust issues and intense regulatory scrutiny. Governments often monitor such moves to prevent monopolies and ensure fair competition. These legal challenges can delay or block the integration process and lead to significant costs. Successfully navigating these regulatory hurdles is critical for firms pursuing growth through horizontal expansion in concentrated and highly competitive industries.

245. (A) P-4, Q-1, R-3, S-2
The BCG matrix categorizes business units based on their market growth rate and relative market share. Stars have high share and high growth. Cash cows have high share and low growth. Question marks have low share and high growth. Dogs have low share and low growth. Matching these quadrants with their correct characteristics

Click Here to Buy book on Amazon

who are comfortable with established routines may resist new procedures, making it complex for managers to navigate internal resistance and ensure that everyone adopts the new strategy.

277. (D) Systems
Within the McKinsey 7s Framework, 'Systems' refers to the formal processes, procedures, and routines that are used to manage the daily operations of an organization. This includes critical functions such as performance management, information systems, and financial budgeting. These systems provide the necessary structure for decision-making and ensure that the organization's activities are aligned with its stated strategic goals and objectives.

278. (B) organizational success depends on the alignment and interplay of seven key elements.
The central premise of the McKinsey 7s Framework is that organizational success is not based on a single factor but on the alignment of seven interdependent elements. These include both 'hard' elements like strategy and structure, and 'soft' elements like shared values and skills. For a strategy to be executed effectively, all these components must work in harmony to support implementation.

279. (C) detailed programs, budgets, and procedures.
For a chosen strategy to be effectively translated into organizational action, it must be supported by practical operational details. The process requires developing specific programs, budgets, and procedures that guide day-to-day decisions and behaviors. These detailed frameworks ensure that high-level strategic goals are broken down into manageable tasks, allowing individual departments and employees to understand their roles in achieving the overall objective.

280. (D) the core beliefs and cultural norms of the organization.
In the McKinsey 7s Framework, 'Shared Values' represent the central element of the model, connecting all other components. This factor corresponds to the core beliefs, fundamental principles, and cultural norms that guide the behavior of everyone within the organization. These values define the organization's identity and determine the underlying culture, which must be aligned with the chosen strategy for successful implementation.

281. (A) The Marketing Concept
The marketing concept is a management orientation that focuses on achieving organizational goals by determining the needs of target markets and delivering superior value. Unlike earlier approaches that focused on production or sales volume, this concept emphasizes being more effective than competitors in creating and communicating value. The core objective is to satisfy customer needs better than rivals to ensure long-term success.

282. (B) the product's perceived performance compared to the customer's expectations.
Customer satisfaction is defined as the feeling of pleasure or disappointment that results from a comparison of a product's perceived performance against the customer's prior expectations. If the performance meets or exceeds expectations, the customer is satisfied. If it falls short, the customer is dissatisfied. This relationship makes managing expectations and delivering consistent quality central to building long-term customer loyalty and repeat business.

283. (B) The Production Concept
The production concept is a business orientation based on the belief that consumers prefer products that are widely available and highly affordable. Organizations following this approach focus on achieving high production efficiency, reducing costs, and ensuring broad distribution. This perspective is most effective when demand exceeds supply or when the cost of the product is too high, necessitating improved productivity to capture customers.

284. (A) The perceived benefit a customer gains relative to the acquisition cost.
Customer value represents the perceived benefit a customer receives from a product or service relative to the total cost of acquiring it. It is the customer's personal assessment of the product's overall capacity to satisfy their specific needs. By focusing on delivering high value, firms can distinguish themselves from competitors and build stronger relationships with their target audience through superior benefit delivery.

Downloaded from www.pdf.tube

226. (A) Product Development
According to Ansoff's Matrix, product development is a growth strategy where a company introduces a new product or variation into its existing markets. Introducing a new flavor of an existing soft drink is a classic example of this, as it offers a new option to familiar customers. This approach leverages the firm's current brand reputation and distribution channels to drive sales. By continuously innovating and meeting changing consumer preferences, the organization can increase its share of wallet and strengthen its competitive position within its core market segments.

227. (D) Dog
In the BCG matrix, a Dog is a business unit characterized by low relative market share in a low-growth or mature industry. These units often generate just enough cash to maintain themselves but do not promise significant growth or high profitability. They can be a drain on management time and resources. Strategic options for Dogs typically include harvesting their remaining value, divesting the unit, or liquidating it to reallocate resources to more promising business areas. Identifying and managing these underperforming units is essential for maintaining a healthy business portfolio.

228. (D) a, c, d, and e only
Strategy implementation is primarily an operational process that requires the active involvement of managers and employees at all levels of the organization. It is often more time-consuming and complex than strategy formulation because it involves turning theoretical plans into practical results. Challenges include managing change, overcoming employee resistance, and ensuring that the corporate culture is aligned with the new direction. Successfully executing a strategy is critical for achieving organizational goals and ensures that the firm's strategic efforts are translated into tangible and effective organizational performance and results.

229. (C) Ensure all promotional activities deliver a consistent message.
The primary goal of Integrated Marketing Communications is to coordinate all of a company's promotional tools—advertising, sales promotion, PR, personal selling, and direct marketing—to ensure they work together harmoniously. By delivering a clear and consistent brand message across all communication channels, IMC helps build a stronger brand identity and improves the effectiveness of marketing communications. This unified approach ensures that the brand's value proposition is communicated clearly to the target audience, cutting through the noise of a cluttered and highly competitive marketplace.

230. (A) Feature similar functions, target the same groups, or occupy similar price tiers.
A product line is a group of products that are closely related because they perform similar functions, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges. Managing product lines involves making decisions about the depth and length of each line to satisfy different consumer needs and maximize revenue. A well-structured product line helps the company organize its portfolio and communicate its offerings more effectively to its target audience in a competitive market.

231. (D) Unsought goods, like insurance or blood donations.
The selling concept is a management philosophy based on the belief that consumers will not buy enough of a product unless the organization undertakes a large-scale selling and promotion effort. This approach is most aggressively practiced with unsought goods—products that consumers do not normally think of buying, such as life insurance or blood donations. In these cases, the focus is on moving the product through persistent and aggressive tactics rather than understanding customer needs. It often prioritizes short-term sales volume over building long-term relationships or satisfaction.

232. (B) 2, 3, 1
In a large, diversified organization, strategies are typically developed at three levels. Corporate strategy is at the highest level, focusing on the overall direction of the firm and its portfolio. Business-level strategy is the next level, focusing on how a specific unit will compete within its industry. Functional strategy is at the lowest level, focusing on the specific actions of departments like marketing or finance to support the higher-level strategies. This hierarchical

NODIA

the price to attract more price-sensitive segments, but the initial focus is high-margin.

294. (B) It is the only element that directly generates revenue.
Pricing is unique among the four elements of the marketing mix because it is the only component that directly generates revenue for the organization. In contrast, product development, distribution (place), and promotion represent costs incurred by the firm to create and communicate value. While all elements are essential for a successful market offering, pricing decisions directly determine the firm's financial return and profitability.

295. (C) A customer-centric view focusing on value delivery.
Viewing a product as a bundle of benefits that satisfy customer needs aligns with a customer-centric marketing perspective. This approach emphasizes that consumers do not just buy physical items; they purchase solutions to their problems or means to achieve satisfaction. By focusing on value delivery rather than just tangible features, firms can better align their offerings with the actual desires and expectations of customers.

296. (D) To deliver a consistent and compelling message across all customer contact points.
The fundamental principle of Integrated Marketing Communications is to ensure that all customer contact points deliver a consistent and compelling message. This strategic process involves coordinating various promotional tools, such as advertising, sales promotion, and public relations, so they work together seamlessly. By providing a unified brand image across all channels, companies can communicate more effectively and build stronger relationships with their target audience.

297. (A) a unified system where channel members cooperate under a central leadership or ownership.
A Vertical Marketing System is a channel structure where producers, wholesalers, and retailers operate as a unified system rather than as independent entities. In a VMS, coordination is achieved because one member either owns the others, has formal contracts with them, or possesses significant power to ensure cooperation. This integration helps eliminate conflicts that often occur in conventional channels where members seek individual profits.

298. (B) Sales Promotion
Sales promotion consists of short-term incentives designed to encourage the immediate purchase or sale of a product or service. Offers such as 'Buy One, Get One Free' are classic examples of this promotional tool. These incentives aim to provide extra value to the consumer for a limited time, helping to boost sales volume, clear inventory, or attract new customers to the brand.

299. (B) To make a product or service available for customer use or consumption.
The primary role of a marketing channel is to make a product or service available for use or consumption by the end customer. This involves a set of interdependent organizations, such as wholesalers and retailers, that work together to move the product through the distribution chain. These channels form a value network that bridges the gap between the producer and the final user.

300. (A) paid form of nonpersonal presentation by an identified sponsor.
Advertising is defined as any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor. Unlike personal selling, it does not involve direct interaction between a salesperson and a customer. Instead, it uses various media channels to communicate a consistent message to a large audience. The fact that the sponsor is identified and pays for the space distinguishes it.

www.nodia.in

Click Here to Buy book on Amazon

75. Consider the following potential benefits of building strong customer relationships:
(i) Increased customer loyalty and retention
(ii) Higher customer lifetime value
(iii) Positive word-of-mouth promotion
(iv) Reduced focus on product quality
(v) Higher price sensitivity among customers
Which of the above statement(s) is/are correct?
(A) (iv) and (v)
(B) (i), (ii), and (iii)
(C) (i), (iii), and (iv)
(D) (ii), (iv), and (v)

76. A recent trend in retail where large retailers like DMart or Spencer's sell products under their own brand name is known as:
(A) Franchising
(B) Private Labeling
(C) Co-branding
(D) Green Marketing

77. The process of improving a website's visibility in a search engine's unpaid ("organic") results is called:
(A) Search Engine Marketing (SEM)
(B) Pay-Per-Click (PPC)
(C) Search Engine Optimization (SEO)
(D) Social Media Marketing (SMM)

78. Which international market entry strategy offers the fastest speed of entry and access to local market knowledge but comes with risks of conflicts and disagreements with the partner?
(A) Standard Exporting
(B) General Licensing
(C) Wholly-Owned Subsidiary
(D) Joint Venture

79. In the Howard-Sheth model, the 'learning constructs' refer to:
(A) The consumer's psychological makeup, including motives, attitudes, and perception.
(B) The external stimuli the consumer is exposed to.
(C) The final purchase decision and subsequent satisfaction.
(D) The information sources available to the consumer.

80. A brand's 'equity' is best understood as:
(A) The current stock price of the company owning the brand.
(B) The added value endowed to a product or service for consumers.
(C) The number of units sold under a specific brand name.
(D) The total marketing budget allocated to brand promotion.

81. Which of the following is an example of a value-creating activity in a supply chain?
(A) Holding excessive safety stock.
(B) Cross-docking to speed up the flow of goods.
(C) Experiencing frequent stockouts.
(D) Using multiple, uncoordinated information systems.

82. Which of the following is an incorrect statement about service brands?
(A) A service brand's image is independent of the customer experience.
(B) Employees play a crucial role in delivering the brand promise.
(C) The physical evidence helps in shaping the brand image.
(D) Consistency in delivery is vital for building a strong brand.

83. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Customer Relationship Marketing (CRM) is a strategic approach to manage a company's interaction with current and potential customers.
Reason (R): The primary goal of CRM is to increase advertising spend and media visibility.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

84. Franchising is a common ownership format in which type of retail business?
(A) Department stores
(B) Supermarkets
(C) Discount stores
(D) Fast-food chains and service outlets

NODIA

9. Which model of consumer behaviour is structured as a system with inputs, perceptual and learning constructs, and outputs?
(A) The Nicosia Model
(B) The Engel-Kollat-Blackwell Model
(C) The Howard-Sheth Model
(D) The Psychoanalytic Model

10. Match the brand management concepts in List I with their descriptions in List II.
List I: (Concept)
P. Brand Equity
Q. Brand Extension
R. Brand Loyalty
S. Brand Name
List II: (Description)
1. Using a successful brand to launch a product in a new category.
2. A customer's commitment to repurchase a specific brand.
3. The differential effect of brand knowledge on consumer response.
4. The part of a brand that can be vocalized or spoken.
Codes:
(A) P-3, Q-1, R-2, S-4
(B) P-1, Q-3, R-4, S-2
(C) P-4, Q-2, R-1, S-3
(D) P-2, Q-4, R-3, S-1

11. In supply chain management, what is the term for the value that is added to goods through manufacturing, production, or assembly?
(A) Place utility
(B) Time utility
(C) Possession utility
(D) Form utility

12. All of the following are recognized 'gaps' in the SERVQUAL model of service quality EXCEPT:
(A) The gap between customer expectation and management perception.
(B) The gap between competitor pricing and the firm's pricing.
(C) The gap between service quality specification and service delivery.
(D) The gap between service delivery and external communications.

13. Which of the following is the best example of a strategy focused on relationship building in CRM?
(A) Offering a standard deep discount to all new incoming customers.
(B) Deploying a high-frequency mass media advertising campaign model.
(C) Implementing a loyalty program that rewards repeat purchases.
(D) Focusing on acquiring established customers from top competitors.

14. A retail outlet that primarily sells a limited selection of high-turnover grocery and household products in a small, easily accessible format is known as a:
(A) Department Store
(B) Supermarket
(C) Specialty Store
(D) Convenience Store

15. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Brand equity is a crucial intangible asset for a company, significantly impacting its market performance and valuation.
Reason (R): Brand equity is built solely through extensive advertising, regardless of product quality or customer experience.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

16. Which international market entry mode involves a contractual agreement where one firm permits another to use its intellectual property, such as patents or trademarks, in return for a royalty fee?
(A) Exporting
(B) Licensing
(C) Joint Venture
(D) Wholly-Owned Subsidiary

17. Which of the following is an incorrect statement regarding industrial buying behaviour?
(A) The decision-making process typically involves multiple organizational

Downloaded from www.pdf.tube

stakeholders.
(B) Emotional motives are the primary drivers of industrial purchase decisions.
(C) Purchase volumes are generally much larger than those found in consumer markets.
(D) The demand for industrial goods is derived from the demand for consumer products.

18. Consider the following key considerations in developing a branding strategy:
(i) Identifying the target audience
(ii) Establishing a unique brand positioning
(iii) Minimizing all marketing expenditures
(iv) Selecting brand elements like name and logo
Which of the above statement(s) is/are correct?
(A) (i), (ii), and (iii) only
(B) (i), (ii), and (iv) only
(C) (ii), (iii), and (iv) only
(D) (i), (iii), and (iv) only

19. The process of planning, implementing, and controlling the efficient, effective flow and storage of goods from point of origin to point of consumption is the definition of:
(A) Supply Chain Management
(B) Value Chain Analysis
(C) Logistics Management
(D) Marketing Management

20. The characteristic of services that refers to the fact that they cannot be stored for later sale or use is called:
(A) Intangibility
(B) Inseparability
(C) Variability
(D) Perishability

21. Arrange the following international market entry modes in a logical sequence based on ascending order of risk and control, from lowest to highest:
(i) Exporting
(ii) Wholly-Owned Subsidiary
(iii) Licensing
(iv) Joint Venture
Choose the correct sequence:
(A) (i), (iii), (iv), (ii)
(B) (iii), (i), (iv), (ii)
(C) (i), (iv), (iii), (ii)
(D) (iv), (i), (ii), (iii)

22. Which concept refers to the net present value of all future profits expected from a customer over the entire life of their relationship with a company?
(A) Total Consumer Brand Equity
(B) Customer Lifetime Value (CLV)
(C) Prospective Share of Wallet
(D) Customer Acquisition Costing

23. What type of retail outlet offers a very wide assortment of merchandise, usually in a single, large store, and is often an "anchor" for a shopping mall?
(A) Convenience Store
(B) Discount Store
(C) Category Killer
(D) Department Store

24. Marketing efforts that target specific individuals or households through methods like direct mail, telemarketing, and personalized email are classified as:
(A) Direct Marketing
(B) Green Marketing
(C) Mass Marketing
(D) Viral Marketing

25. Which of the following is an aspect of the marketing mix for international markets is most likely to require adaptation due to cultural differences, language barriers, and media availability?
(A) Standard product features
(B) General pricing strategy
(C) Promotion and advertising
(D) Local distribution channels

26. According to the Customer-Based Brand Equity (CBBE) model, consider the following steps of brand building:
(i) Identity
(ii) Meaning
(iii) Response
(iv) Relationships
(v) Profitability
Which of the above statement(s) is/are correct?
(A) (i), (ii), (iii), and (iv)
(B) (ii), (iii), (iv), and (v)
(C) (i), (iii), (iv), and (v)
(D) (i), (ii), (iv), and (v)

NODIA

27. The first step in designing a sales force is:
(A) Determining the sales force size.
(B) Designing the compensation plan.
(C) Recruiting and selecting salespeople.
(D) Setting sales force objectives.

28. A key challenge in service marketing is that the quality of a service can differ depending on who provides it, as well as when and where it is provided. This characteristic is known as:
(A) Intangibility
(B) Variability
(C) Perishability
(D) Inseparability

29. The final step in the CRM process, which involves treating individual customers differently based on their needs and value to the company, is:
(A) Identification
(B) Differentiation
(C) Customization
(D) Interaction

30. Which of the following is NOT a recent trend in retail marketing?
(A) The growth of e-retailing and marketplaces.
(B) The expansion of corporate private labels.
(C) Increased foreign direct investment (FDI).
(D) The decline of traditional 'kirana' stores.

31. The practice of developing and marketing products designed to minimize negative effects on the physical environment or to improve its quality is known as:
(A) Green Marketing
(B) Digital Marketing
(C) Social Marketing
(D) Direct Marketing

32. A company choosing to enter a foreign market by establishing a new facility from the ground up is using which type of entry mode?
(A) Acquisition
(B) Greenfield Venture
(C) Licensing agreement
(D) Strategic Alliance

33. The Engel-Kollat-Blackwell model of consumer behaviour organizes the decision process into distinct stages. Which of the following stages is NOT part of this model?
(A) Problem Recognition
(B) Post-purchase Dissonance
(C) Information Search
(D) Alternative Evaluation

34. Match the activities in the sales force management process in List I with their components in List II.
List I: (Activity)
P. Designing sales force strategy
Q. Recruiting and selecting
R. Training salespeople
S. Motivating salespeople
List II: (Component)
1. Using methods like sales quotas and positive incentives.
2. Learning about the company's products and policies.
3. Defining the sales force structure, size, and compensation.
4. Sourcing candidates and evaluating their suitability for sales roles.
Codes:
(A) P-1, Q-2, R-3, S-4
(B) P-3, Q-4, R-2, S-1
(C) P-4, Q-3, R-1, S-2
(D) P-2, Q-1, R-4, S-3

35. Which of the following best defines brand equity from a consumer perspective?
(A) The total financial value of the brand as a corporate asset.
(B) All brands that a consumer is aware of in a specific category.
(C) The effect of brand knowledge on customer response to marketing.
(D) The costs incurred by the company to create and promote the brand.

36. The 'bullwhip effect' in a supply chain refers to:
(A) The smooth flow of demand information throughout the supply chain.
(B) The cost reduction achieved by consolidating logistics operations.
(C) The efficiency gained by using a single supplier for raw materials.
(D) The increasing variability of orders as one moves upstream.

37. Consider the following statements regarding service marketing:

Click Here to Buy book on Amazon

Statement I: The 'process' element of the marketing mix refers to the procedures, mechanisms, and flow of activities by which the service is delivered.
Statement II: A well-designed service delivery process can be a major source of competitive differentiation for service firms.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

38. A car manufacturer creating a loyalty program that offers exclusive service benefits and early access to new models for existing owners is primarily focusing on which CRM strategy?
(A) Customer acquisition
(B) Customer retention
(C) Customer defection
(D) Customer win-back

39. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Direct marketing allows for personalized and customized messages to target customers.
Reason (R): Direct marketing relies exclusively on mass media channels like television and national newspapers to reach a broad audience.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

40. Which of the following is an example of a non-store retail format?
(A) Automatic Vending Machine
(B) Supermarket
(C) Department Store
(D) Hypermarket

41. Which of the following criteria is most important when selecting a brand name?
(A) It should be long and descriptive to explain the product benefits.
(B) It must be difficult to pronounce to create an air of exclusivity.
(C) It should be memorable, distinctive, and have positive connotations.
(D) It must be directly related to the CEO's name for personal branding.

42. The decision regarding where to locate plants and warehouses and how to allocate production and storage to these facilities falls under which area of supply chain management?
(A) Supply Chain Network Design
(B) Supply Chain Inventory Management
(C) Supply Chain Transportation Design
(D) Supply Chain Information Systems

43. Consider the following statements regarding the marketing strategies of service firms:
(i) Service firms often focus on managing evidence by "tangibilizing the intangible."
(ii) Due to inseparability, managing the customer-employee interaction is critical.
(iii) Perishability requires strategies to manage demand and capacity.
(iv) Variability is completely eliminated through standardization.
(v) The 7Ps framework is irrelevant to service firms.
Which of the above statement(s) is/are correct?
(A) (i), (ii), and (iii)
(B) (i), (iii), and (iv)
(C) (ii), (iv), and (v)
(D) (i), (ii), and (v)

44. Which level of relationship building in CRM involves creating social bonds with customers by personalizing and individualizing the relationship?
(A) Basic marketing
(B) Proactive marketing
(C) Reactive marketing
(D) Accountable marketing

45. In international marketing, a global pricing strategy where the company sets a uniform price for its product around the world is known as:
(A) Polycentric pricing
(B) Geocentric pricing
(C) Ethnocentric pricing
(D) Cost-plus pricing

NODIA

46. A consumer buying a low-involvement product like salt with little thought or information search is exhibiting what type of buying behaviour?
(A) Complex buying behaviour
(B) Dissonance-reducing buying behaviour
(C) Variety-seeking buying behaviour
(D) Habitual buying behaviour

47. A company using its established brand name 'Nescafé' to introduce different coffee variants like Nescafé Gold and Nescafé Classic is an example of:
(A) Line Extension
(B) Category Extension
(C) Brand Licensing
(D) Co-branding

48. The personal selling process begins with 'prospecting'. What does this step involve?
(A) Making the initial contact with the potential customer.
(B) Identifying qualified potential customers.
(C) Demonstrating the product's features and benefits.
(D) Asking for the customer's order.

49. In service marketing, the 'moment of truth' refers to:
(A) The point at which the final bill is presented to the customer.
(B) Any instance where a customer interacts with the service firm and forms an impression.
(C) The internal audit process to check service quality standards.
(D) The launch date of a new service offering.

50. Consider the following recognized types of retail outlets based on ownership:
(i) Independent retailer
(ii) Corporate chain
(iii) Retailer cooperative
(iv) Online marketplace
Which of the above statement(s) is/are correct?
(A) (i) and (ii) only
(B) (i), (ii), and (iii) only
(C) (iii) and (iv) only
(D) All of the above

51. The use of QR codes that consumers can scan with their smartphones to get more product information is a tool primarily associated with:
(A) Green Marketing
(B) Direct Mail
(C) e-Marketing
(D) Telemarketing

52. A joint venture as an international market entry mode is best described as:
(A) Granting a license to a foreign partner to produce a company product.
(B) Establishing private production facilities within a foreign country.
(C) Exporting goods through various intermediaries in the host country.
(D) Companies joining to create a new business entity in a foreign market.

NODIA

53. The concept of 'brand personality' refers to:
(A) The demographic profile of the brand's target audience.
(B) The legal and trademarked elements of a brand.
(C) The set of human characteristics associated with a brand.
(D) The financial valuation of a brand on the balance sheet.

54. Which of the following is a primary objective of sales force management?
(A) To minimize all contact with customers.
(B) To design and implement effective sales strategies to achieve organizational goals.
(C) To focus solely on reducing the cost of the sales team.
(D) To replace personal selling with digital marketing entirely.

55. Arrange the following steps in the consumer decision-making process in the correct order:
(i) Purchase Decision
(ii) Information Search
(iii) Problem Recognition
(iv) Evaluation of Alternatives
(v) Post-purchase Behavior
Choose the correct sequence:
(A) (iii), (ii), (iv), (i), (v)
(B) (ii), (iii), (i), (iv), (v)
(C) (iii), (iv), (ii), (i), (v)
(D) (i), (iii), (ii), (v), (iv)

CHAPTER 07
Marketing Management

1. Which theory of consumer behaviour posits that consumers are primarily viewed as rational actors who seek to maximize utility from their purchases based on complete information?
(A) The Psychoanalytic Model
(B) The Economic Model
(C) The Learning Model
(D) The Howard-Sheth Model

2. Which of the following statements most accurately describes a primary role of brands for a company?
(A) Brands provide a means of identification to simplify handling and tracing products.
(B) Brands act as legal instruments that protect unique features from competitor imitation.
(C) Brands function primarily to justify and offset elevated operational and production costs.
(D) Brands represent creative outlets for developing internal marketing department identities.

3. What are the key drivers of performance in a supply chain?
(A) Marketing, Finance, and Human Resources
(B) Product Development, Sales, and Customer Service
(C) Facilities, Inventory, Transportation, and Information
(D) Legal Compliance, Public Relations, and Corporate Governance

4. In the context of service marketing, a restaurant's ambiance, decor, and staff uniforms are all part of which element of the extended marketing mix?
(A) Process
(B) People
(C) Promotion
(D) Physical Evidence

5. Which of the following is NOT a primary objective of Customer Relationship Marketing (CRM)?
(A) Efficient customer acquisition
(B) Effective customer retention
(C) Short-term transactional sales
(D) Strategic customer development

6. The emergence of large, professionally managed retail chains, such as Big Bazaar or Reliance Retail, is a key characteristic of which recent trend?
(A) The decline of rural marketing
(B) The rise of organized retailing
(C) The growth of unorganized retail
(D) The saturation of the e-commerce market

7. A marketing campaign that utilizes search engine optimization (SEO), social media marketing, and email marketing falls under the umbrella of:
(A) Green Marketing
(B) Direct Marketing
(C) Traditional Marketing
(D) Digital Marketing

8. Consider the following statements:
Statement I: Product standardization is always the most profitable strategy in international markets.
Statement II: Product adaptation allows a firm to better meet the specific needs and preferences of local markets.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

Downloaded from www.pdf.tube

self-service operation.
4. Giant specialty store with a very deep assortment in a particular category.

Codes:
(A) P-1, Q-3, R-2, S-4
(B) P-3, Q-1, R-4, S-2
(C) P-4, Q-2, R-1, S-3
(D) P-2, Q-4, R-3, S-1

65. Which of the following statements about consumer buying behaviour is correct?
(A) It only involves the physical act of purchasing a product.
(B) It encompasses consumer thoughts, feelings, and actions throughout a purchase.
(C) It is a simple process that remains identical for all individuals.
(D) It is not influenced by external cultural or social factors.

66. When a company uses an existing brand name to enter a completely different product category, such as Apple moving from computers to phones, it is known as:
(A) Category Extension
(B) Line Extension
(C) Multi-branding
(D) Co-branding

67. A key benefit of an effective Supply Chain Management system is:
(A) Increased inventory levels at all stages.
(B) Reduced operational efficiency and higher costs.
(C) Improved responsiveness to customer demand and market changes.
(D) Lengthened product development cycles.

68. Consider the following marketing strategies specifically developed for service firms:
(i) Managing differentiation
(ii) Managing service quality
(iii) Managing productivity
(iv) Ignoring the role of employees
Which of the above statement(s) is/are correct?
(A) (i) and (iv) only
(B) (ii) and (iii) only
(C) (i), (ii), and (iii) only
(D) (i), (ii), (iii), and (iv)

69. In CRM, the process of categorizing customers into groups based on their value, needs, or behaviour is called:
(A) Customer Interaction
(B) Customer Identification
(C) Customer Differentiation
(D) Customer Customization

70. The concept of using the internet and digital technologies to achieve marketing objectives is broadly defined as:
(A) Telemarketing
(B) e-Marketing
(C) Green Marketing
(D) Social Marketing

71. When planning the marketing mix for international markets, a company that adapts its products and promotion to each specific foreign market is following a:
(A) Standardization strategy
(B) Communication adaptation strategy
(C) Product invention strategy
(D) Dual adaptation strategy

72. Which of the following is NOT a personal factor influencing consumer buying behaviour?
(A) Culture
(B) Age and life-cycle stage
(C) Occupation
(D) Lifestyle

73. Which of the following options represents a key decision area in designing a sales force?
(A) Standard product design, primary packaging, and general pricing.
(B) Advertising media selection and promotional timing schedules.
(C) Sales force objectives, strategy, structure, size, and compensation.
(D) Public relations activities and corporate communications.

74. The 'People' component in the 7Ps of service marketing refers to:
(A) The firm's employees who deliver the service and interact with customers.
(B) The target customers of the service.
(C) The demographic profile of the general population.
(D) The management board of the service firm.

NODIA

56. What is the primary difference between logistics and supply chain management?
(A) Logistics focuses on flow and storage, while SCM includes managing relationships.
(B) There is absolutely no difference; these terms are used interchangeably.
(C) Logistics is a military term, whereas SCM is used in business.
(D) SCM is a specialized part of logistics focusing on raw materials.

57. Consider the following statements regarding customer relationship marketing (CRM):
Statement I: CRM systems are primarily technological tools and do not require strategic thinking.
Statement II: A successful CRM implementation integrates strategy, processes, people, and technology to manage the entire customer lifecycle.
(A) CRM relies on automated technology for basic customer support.
(B) CRM represents a database for storing general marketing contact lists.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

58. A large retail store that competes primarily on the basis of low prices, high turnover, and high volume is known as a:
(A) Discount Store
(B) Specialty Store
(C) Department Store
(D) Convenience Store

59. The practice of making exaggerated or misleading environmental claims about a product is termed:
(A) Green Marketing
(B) e-Marketing
(C) Astroturfing
(D) Greenwashing

60. Which of the following is a significant disadvantage of choosing a wholly-owned subsidiary as an international market entry mode?
(A) Lack of control over operations.
(B) High level of capital investment and risk.
(C) Low potential for profits.
(D) Difficulty in protecting proprietary technology.

61. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Managing service quality is challenging because services are intangible and produced and consumed simultaneously.
Reason (R): The SERVQUAL model provides a framework for understanding and measuring service quality by comparing customer expectations with their perceptions of the service delivered.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

62. Which component of Aaker's brand equity model refers to the strength of a brand's presence in the consumer's mind?
(A) Brand Loyalty
(B) Perceived Quality
(C) Brand Associations
(D) Brand Awareness

63. A sales force structure where each salesperson is assigned to an exclusive geographic area and sells the company's full line of products to all customers in that territory is a:
(A) Territorial sales force structure.
(B) Product sales force structure.
(C) Customer sales force structure.
(D) Complex sales force structure.

64. Match the retail formats in List I with their primary characteristics in List II.
List I: (Retail Format)
P. Supermarket
Q. Specialty Store
R. Category Killer
S. Hypermarket
List II: (Primary Characteristic)
1. Narrow product line with a deep assortment.
2. Huge store combining supermarket, discount, and warehouse retailing.
3. Large, low-cost, low-margin, high-volume,

Click Here to Buy book on Amazon

85. A marketer sending a promotional offer via SMS to a list of consenting mobile users is engaging in:
(A) Green marketing
(B) Viral marketing
(C) Direct marketing
(D) Mass marketing

86. The choice between standardizing and adapting the marketing mix for international markets is often referred to as the:
(A) Production vs. Marketing debate.
(B) Globalization vs. Localization dilemma.
(C) Cost vs. Quality trade-off.
(D) In-house vs. Outsourcing decision.

87. Which of the following is NOT a stage in the personal selling process?
(A) Pre-approach
(B) Presentation
(C) Closing
(D) Market Segmentation

88. Arrange the following levels of brand loyalty in a logical sequence based on increasing order of strength:
(i) Habitual Buyer (buys out of habit)
(ii) Committed Buyer (has an emotional attachment)
(iii) Switcher (no loyalty)
(iv) Satisfied Buyer (has switching costs)
Choose the correct sequence:
(A) (iii), (i), (iv), (ii)
(B) (i), (iii), (ii), (iv)
(C) (iii), (iv), (i), (ii)
(D) (iv), (ii), (i), (iii)

89. In logistics, holding inventory to deal with uncertainty in demand or supply is known as holding:
(A) Cycle stock
(B) In-transit stock
(C) Safety stock
(D) Seasonal stock

90. Which of the following statements correctly identifies a key strategy for service firms to manage perishability?
(A) Using differential pricing to shift demand from peak to off-peak periods.
(B) Standardizing the service delivery process.
(C) Training employees extensively to ensure consistent performance.
(D) Creating a strong brand image through tangible cues.

91. The "80/20 rule" or Pareto Principle is often relevant in CRM, suggesting that:
(A) 80% of customers remain fundamentally unprofitable.
(B) 20% of marketing efforts generate 80% of results.
(C) 80% of CRM projects fail within 20 months.
(D) 80% of profits come from 20% of customers.

92. Consider the following key drivers behind the recent growth of retail in India:
(i) Rising disposable incomes and changing lifestyles.
(ii) A decline in the young working population.
(iii) Increased availability of consumer credit.
(iv) Favourable government policies and FDI.
Which of the above statement(s) is/are correct?
(A) (i), (ii), and (iii) only
(B) (i), (iii), and (iv) only
(C) (ii), (iii), and (iv) only
(D) (i), (ii), and (iv) only

93. Which of the following correctly pairs a digital marketing activity with its description?
(A) SEO - Paying for advertisements to appear on social media.
(B) SEM - Exclusively focusing on sending promotional emails.
(C) Content Marketing - Creating valuable content for audiences.
(D) SMM - Optimizing a website to rank higher in organic search.

NODIA

94. A firm that views its domestic market as primary and all foreign markets as secondary is exhibiting which type of international marketing orientation?
(A) Polycentric
(B) Regiocentric
(C) Geocentric
(D) Ethnocentric

95. Match the consumer behaviour concepts in List I with their descriptions in List II.
List I: (Concept)
P. Cognitive Dissonance

(C) Physical Evidence and People
(D) Place (Distribution)

176. The ultimate goal of a relationship building strategy in marketing is to create:
(A) A loyal customer base that provides long-term value.
(B) A unique marketing mix.
(C) A large number of one-time buyers.
(D) The lowest possible price for the consumer.

177. Which of the following is a characteristic of unorganized retail?
(A) Access to modern technology and supply chains.
(B) Large-scale operations and economies of scale.
(C) Lack of adequate finance and bargaining power.
(D) Presence of foreign direct investment.

178. Which of the following are all concepts related to Emerging Trends in Marketing?
(A) e-Marketing, Green Marketing, Digital Marketing
(B) Production Concept, Selling Concept, Marketing Concept
(C) 4Ps, 7Ps, STP
(D) Wholesaling, Retailing, Franchising

179. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Planning the marketing mix for international markets often requires a careful balance between standardization and adaptation.
Reason (R): While standardization offers cost savings, adaptation is often necessary to meet local needs, preferences, and regulations.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

180. The buyer's satisfaction or dissatisfaction after a purchase is determined by the relationship between the consumer's expectations and the product's perceived performance. This is known as:
(A) Problem recognition
(B) Post-purchase behaviour
(C) Alternative evaluation
(D) Information search

181. A key decision in brand management is whether to create new brand names for new products, use an existing name, or combine them. This relates to:
(A) Brand equity measurement
(B) Brand name and extension decisions
(C) Brand positioning
(D) Brand licensing

182. Consider the following activities in logistics:
(i) Customer service
(ii) Inventory management
(iii) Order processing
(iv) Transportation
(v) Brand positioning
Which of the above statement(s) is/are correct?
(A) (i), (ii), and (v) only
(B) (i), (ii), (iii), and (iv) only
(C) (iii), (iv), and (v) only
(D) All of the above

183. Which characteristic of services makes it impossible to separate the production of the service from its consumption?
(A) Intangibility
(B) Inseparability
(C) Variability
(D) Perishability

184. The strategy in CRM that focuses on increasing the "share of wallet" or the amount of a customer's spending that a business captures is called:
(A) Customer acquisition
(B) Customer retention
(C) Customer development
(D) Customer termination

185. Which of the following retail formats would typically have the largest physical store size and the widest range of merchandise, including groceries and general merchandise?
(A) Convenience store
(B) Specialty store

Downloaded from www.pdf.tube

(iii) Judgments & Feelings
(iv) Price & Distribution
(v) Resonance
Which of the above statement(s) is/are correct?
(A) (i), (ii), (iv), and (v)
(B) (ii), (iii), (iv), and (v)
(C) (i), (ii), (iii), and (v)
(D) (i), (iii), (iv), and (v)

105. The task of motivating the sales force involves all of the following EXCEPT:
(A) Creating a positive organizational climate.
(B) Using sales quotas as a performance standard.
(C) Providing positive incentives like honors and awards.
(D) Determining the optimal number of salespeople for the company.

106. What is the primary purpose of managing the 'Physical Evidence' in service marketing?
(A) To set the price of the service.
(B) To hire the right employees.
(C) To provide tangible cues for service evaluation.
(D) To streamline the service delivery process.

107. The core process of CRM can be summarized in four steps: Identify, Differentiate, Interact, and...
(A) Sell
(B) Advertise
(C) Customize
(D) Discount

108. A retail store which focuses on a narrow product category like books and music but offers a deep assortment within it, is best described as a:
(A) Supermarket
(B) Department Store
(C) Specialty Store
(D) Discount Store

109. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Green marketing involves promoting products or services based on their environmental benefits.
Reason (R): This strategy can appeal to environmentally conscious consumers and can lead to a competitive advantage.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

NODIA

110. An agreement that allows a foreign entity the right to use a company's business model and brand for a prescribed period of time in a specified territory is called:
(A) Licensing
(B) Franchising
(C) Exporting
(D) A turnkey project

111. The Nicosia model of consumer behaviour is known for its structure, which resembles a:
(A) Pyramid
(B) Flowchart or feedback loop
(C) Matrix
(D) Linear progression

112. The most basic level of brand loyalty, where a customer has no loyalty and will choose a brand based on price or convenience, is known as a:
(A) Committed buyer
(B) Switcher
(C) Liking the brand
(D) Satisfied buyer

113. Which of the following is a key decision related to transportation in a supply chain?
(A) How much inventory to carry.
(B) Where to locate a warehouse.
(C) Which mode of transport (e.g., air, truck, rail) to use for shipments.
(D) Which supplier to source materials from.

114. When a customer's perception of service quality is lower than their expectation, the result is:
(A) Customer satisfaction
(B) Customer delight
(C) A service quality gap
(D) Service standardization

115. Which of the following is NOT a goal of a well-implemented CRM strategy?
(A) To increase customer defection rates.
(B) To improve customer retention.
(C) To maximize the profitability of each

customer.
(D) To acquire new profitable customers.

116. Which type of retail outlet has seen explosive growth due to increased internet penetration and smartphone usage?
(A) Department stores
(B) E-commerce platforms
(C) Hypermarkets
(D) Convenience stores

117. What is the primary difference between e-marketing and digital marketing?
(A) E-marketing is a broader term that includes digital marketing.
(B) Digital marketing is a broader term that encompasses e-marketing, as well as non-internet digital channels.
(C) The terms are completely synonymous with no difference.
(D) E-marketing relates to sales, while digital marketing relates to advertising.

118. In international marketing, product adaptation becomes more necessary when:
(A) Foreign and home market cultures are identical.
(B) The product serves a universal global need.
(C) Consumer tastes or climates differ significantly.
(D) The company pursues a cost leadership strategy.

119. Consider the following stages of the personal selling process:
(i) Prospecting and qualifying
(ii) Pre-approach
(iii) Handling objections
(iv) Mass advertising
(v) Closing the sale
Which of the above statement(s) is/are correct?
(A) (i), (ii), and (iv) as these are part of a broader marketing strategy.
(B) (i), (ii), (iii), and (v) only.
(C) (ii), (iii), (iv), and (v).
(D) (i), (iii), (iv), and (v).

120. A consumer's emotional attachment to a brand, where they are proud to be a user and would recommend it to others, represents the highest level of brand loyalty. This is a:
(A) Habitual Buyer
(B) Committed Buyer
(C) Satisfied Buyer
(D) Switcher

121. Which of the following is an example of a strategic decision in supply chain design?
(A) Scheduling a truck for a specific delivery.
(B) Deciding on the number and location of warehouses.
(C) Placing a replenishment order for a product.
(D) Picking an item from a shelf to fulfill an order.

122. Arrange the typical stages of developing a branding strategy in a logical sequence.
(i) Designing brand identity (name, logo)
(ii) Defining brand positioning
(iii) Conducting a market analysis
(iv) Launching and communicating the brand
(v) Monitoring and managing brand equity
Choose the correct sequence:
(A) (i), (ii), (iii), (iv), (v)
(B) (iii), (ii), (i), (iv), (v)
(C) (ii), (i), (iii), (v), (iv)
(D) (iii), (i), (ii), (iv), (v)

123. What is the most appropriate definition of brand loyalty?
(A) The consumer's awareness of a brand's existence.
(B) A deeply held commitment to repurchase a brand.
(C) The perception of quality compared to alternatives.
(D) The set of associations linked to the brand name.

124. The primary purpose of designing a sales force compensation plan is to:
(A) Minimize the total cost to the company.
(B) Motivate salespeople and direct their activities towards achieving company objectives.
(C) Ensure all salespeople earn the exact same income.
(D) Comply with the minimum wage laws only.

125. In the context of the 7Ps of service marketing, 'Process' refers to:
(A) The tangible components of the service

Click Here to Buy book on Amazon

environment.
(B) The employees who deliver the service.
(C) The flow of activities, procedures, and mechanisms by which a service is delivered.
(D) The promotional activities used to communicate the service offering.

126. Consider the following potential sources for identifying new prospects in the personal selling process:
(i) Referrals from current customers
(ii) Trade shows and conventions
(iii) Public directories and websites
(iv) Cold calling
(v) Competitors' sales reports
Which of the above statement(s) is/are correct?
(A) (i), (ii), and (iv) only
(B) (i), (ii), (iii), and (iv) only
(C) (iii), (iv), and (v) only
(D) All of the above are potential sources.

127. What is the key objective of 'relationship building' in CRM?
(A) To maximize profit on every single transaction.
(B) To create long-term, mutually beneficial connections.
(C) To sell as many products to a customer as possible.
(D) To reduce marketing costs to a zero-sum level.

128. A large, self-service retail establishment that offers a wide variety of food, beverage, and household products is a:
(A) Convenience Store
(B) Supermarket
(C) Specialty Store
(D) Vending Machine

129. The use of social media platforms like Facebook, Instagram, and Twitter for marketing purposes is a component of:
(A) Direct Mail Marketing
(B) Green Marketing
(C) Digital Marketing
(D) Telemarketing

130. Which factor is a major reason for companies to choose adaptation over standardization in international markets?
(A) To achieve economies of scale in production.
(B) To maintain a consistent global brand image.
(C) To comply with mandatory local product standards and regulations.
(D) To simplify the marketing management process.

131. Match the international market entry modes in List I with their key characteristics in List II.
List I: (Entry Mode)
P. Exporting
Q. Joint Venture
R. Licensing
S. Wholly-Owned Subsidiary
List II: (Key Characteristic)
1. High control, high risk, high investment.
2. Low control, low risk, contractual agreement for IP use.
3. Shared ownership and control with a local partner.
4. Low risk, producing in home country and selling abroad.
Codes:
(A) P-4, Q-3, R-2, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-3, Q-4, R-1, S-2
(D) P-2, Q-1, R-4, S-3

132. Which of the following is an example of a psychological factor influencing consumer behaviour?
(A) Family
(B) Social class
(C) Motivation
(D) Culture

133. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Brand extensions can help a company enter new product categories more easily and with lower marketing costs.
Reason (R): Consumers are often willing to transfer the positive associations and trust from a well-established parent brand to a new product.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.

Downloaded from www.pdf.tube

Q. Reference Group
R. Selective Distortion
S. Subculture

List II: (Description)

1. A group whose perspectives or values are being used by an individual as the basis for their judgments.
2. The tendency of people to interpret information in a way that will support what they already believe.
3. A group of people with shared value systems based on common life experiences.
4. Buyer discomfort caused by post-purchase conflict.

Codes:
(A) P-1, Q-3, R-2, S-4
(B) P-4, Q-1, R-2, S-3
(C) P-4, Q-2, R-3, S-1
(D) P-2, Q-4, R-1, S-3

96. Which of the following is a primary role of a brand for the consumer?
(A) To increase the company's stock price.
(B) To simplify the product identification and purchase decision.
(C) To create legal protection for the product's features.
(D) To help the company with inventory management.

97. The management of the two-way flow of information, products, and finances between all parties in the supply chain is a key function of:
(A) Transportation
(B) Information
(C) Inventory
(D) Sourcing

98. The inseparability of services means that:
(A) The service provider is part of the service itself, and it is produced and consumed simultaneously.
(B) Services are highly variable.
(C) Services cannot be stored.
(D) Services are difficult for consumers to evaluate before purchase.

99. Which of the following is a key value derived from a successful CRM strategy?
(A) Increased short-term sales from one-time customers.
(B) Reduced overall customer loyalty across segments.
(C) Deeper understanding of customer needs and behaviors.
(D) The elimination of the need for a sales force.

100. The format of a retail store, which includes its size, location, and the specific mix of products it carries, is part of its:
(A) Pricing strategy
(B) Promotional mix
(C) Supply chain design
(D) Retail positioning strategy

101. Which of the following is NOT a form of direct marketing?
(A) Direct mail
(B) Telemarketing
(C) Television advertising during a primetime show
(D) Kiosk marketing

102. A company that tailors its marketing mix for each individual country, viewing each as a unique market, is following a(n):
(A) Polycentric approach
(B) Ethnocentric approach
(C) Geocentric approach
(D) Standardized approach

NODIA

103. Consider the following statements regarding industrial buying behavior:
Statement I: Industrial buying decisions are often more complex, formalized, and involve more people than consumer buying decisions.
Statement II: The demand for industrial products is ultimately derived from the demand for consumer products.
(A) Statement I and Statement II are both logically correct.
(B) Both Statement I and Statement II are entirely incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

104. According to the Brand Resonance Pyramid, consider the following components:
(i) Salience
(ii) Performance & Imagery

145. Consider the following types of retail outlets:
(i) Department Stores
(ii) Supermarkets
(iii) Convenience Stores
(iv) Direct Selling
(v) Wholly-Owned Subsidiaries
Which of the above statement(s) is/are correct?
(A) (i), (ii), and (v)
(B) (i), (ii), (iii), and (iv)
(C) (iii), (iv), and (v)
(D) All of the above

146. A company promoting its cars as having lower emissions and better fuel efficiency is engaging in:
(A) Digital Marketing
(B) Green Marketing
(C) Direct Marketing
(D) Social Marketing

147. Consider the following statements:
Statement I: A key decision in international marketing is the extent to which the marketing mix should be standardized or adapted.
Statement II: Standardization helps in building a consistent global brand image and can lead to economies of scale.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

148. The buying behaviour of organizations that buy goods and services for use in the production of other products and services is known as:
(A) Consumer buying behaviour
(B) Industrial buying behaviour
(C) Impulse buying behaviour
(D) Dissonance-reducing behaviour

149. What is the primary risk associated with brand extensions?
(A) The new product will be too successful.
(B) The extension may dilute the core brand's image or meaning if it is inappropriate.
(C) The cost of launching a new product is always zero with an extension.
(D) It can lead to a decrease in brand awareness.

150. The time it takes from when an order is placed by a customer to when the order is delivered and payment is received is called the:
(A) Product life cycle
(B) Order-to-cash cycle
(C) Sales cycle
(D) Replenishment cycle

151. Which of the 7Ps of service marketing is concerned with managing customer-employee interactions?
(A) Product
(B) Price
(C) People
(D) Physical Evidence

152. The process of identifying all individuals and households that are potential buyers for a company's offerings is a key part of which stage in the CRM process?
(A) Interaction
(B) Customization
(C) Identification
(D) Differentiation

153. A retail trend where consumers research products online and then visit a physical store to make the purchase is known as:
(A) Showrooming
(B) Webrooming
(C) E-tailing
(D) Brick-and-mortar

154. Which concept of emerging marketing involves a two-way communication and promotion of products through internet-based channels?
(A) e-Marketing
(B) Green Marketing
(C) Traditional Marketing
(D) Kiosk Marketing

155. Arrange the following steps for planning an international marketing mix in a logical order, assuming a new market entry:
(i) Select the mode of entry
(ii) Analyze the international marketing environment
(iii) Decide on the marketing organization
(iv) Develop the marketing plan (4Ps)

Click Here to Buy book on Amazon

(v) Decide whether to go international
Choose the correct sequence:
(A) (v), (ii), (i), (iv), (iii)
(B) (i), (ii), (iii), (iv), (v)
(C) (v), (i), (ii), (iv), (iii)
(D) (ii), v, (i), (iii), (iv)

156. Which theory of consumer behaviour suggests that people's buying decisions are driven by subconscious motives?
(A) The Economic Model
(B) The Learning Model
(C) The Psychoanalytic Model
(D) The Engel-Kollat-Blackwell Model

157. When a salesperson overcomes a potential customer's doubts or concerns during a sales presentation, they are performing which step of the personal selling process?
(A) Prospecting
(B) Pre-approach
(C) Handling Objections
(D) Follow-up

158. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Effective supply chain management can create a significant competitive advantage for a firm.
Reason (R): It can lead to lower costs, improved customer service, and greater flexibility, which are difficult for competitors to replicate.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

159. Which of the following is NOT a dimension of the SERVQUAL model for measuring service quality?
(A) Reliability
(B) Assurance
(C) Price
(D) Empathy

160. Consider the following relationship-building strategies in CRM:
(i) Focusing on one-time transactions
(ii) Creating loyalty programs
(iii) Personalizing communication and offers
(iv) Treating all customers identically
(v) Gathering customer feedback and acting on it
Which of the above statement(s) is/are correct?
(A) (i), (ii), and (iii)
(B) (ii), (iii), and (v)
(C) (i), (iv), and (v)
(D) (ii), (iv), and (v)

161. The trend of 'showrooming' in retail refers to:
(A) Customers buying products online and picking them up in-store.
(B) Examining store merchandise before buying online for less.
(C) Retailers setting up small showrooms in urban areas.
(D) Online retailers opening physical showrooms.

162. Which of the following is an example of an offline activity within a broader Digital Marketing strategy?
(A) Sending a promotional SMS
(B) Creating a TV ad with a QR code
(C) Running a Facebook ad campaign
(D) Optimizing a website for search engines

163. Which international entry mode represents the lowest level of commitment, control, and risk?
(A) Joint Venture
(B) Wholly-Owned Subsidiary
(C) Indirect Exporting
(D) Licensing

NODIA

164. A consumer's tendency to remember information that supports their attitudes and beliefs is called:
(A) Selective attention
(B) Selective distortion
(C) Selective retention
(D) Subliminal perception

165. Match the branding strategies in List I with their examples in List II.
List I: (Strategy)
P. Line Extension
Q. Category Extension
R. Co-branding
S. Private Branding

List II: (Example)
1. Citi / AAdvantage credit card.
2. A retailer selling products under its own store brand name.
3. Head & Shoulders launching a new variant like 'Cool Menthol'.
4. Yamaha (known for motorcycles) launching musical instruments.

Codes:
(A) P-1, Q-2, R-4, S-3
(B) P-4, Q-3, R-2, S-1
(C) P-3, Q-4, R-1, S-2
(D) P-2, Q-1, R-3, S-4

166. The choice of sales force compensation plan, which often includes a mix of salary, commission, and bonuses, is a critical part of:
(A) Managing the sales force
(B) SCM driver analysis
(C) Brand equity measurement
(D) Retail outlet design

167. Which of the following is a strategy to manage the intangibility of a service?
(A) Use tangible cues like a clean office or a professional-looking website.
(B) Offer differential pricing for peak and off-peak hours.
(C) Hire and train service providers to deliver consistent service.
(D) Use reservation systems to manage demand.

168. The primary process of CRM is to build and maintain profitable long-term relationships with customers by delivering superior...
(A) Product Features
(B) Customer Value
(C) Advertising Slogans
(D) Low Prices

169. A small, family-owned neighborhood grocery store is part of the:
(A) Organized retail sector
(B) E-commerce sector
(C) Unorganized retail sector
(D) Corporate retail chain

170. Consider the following statements:
Statement I: Direct marketing seeks an immediate and measurable response from the target customer.
Statement II: Direct marketing is a form of mass communication with no targeting involved.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

171. When a company decides to sell its products in a foreign market with no changes to the product or promotion, it is following a strategy of:
(A) Product adaptation
(B) Dual adaptation
(C) Straight product extension
(D) Product invention

172. Which of the following is NOT a driver of supply chain performance?
(A) Inventory
(B) Transportation
(C) Facilities
(D) Brand Equity

173. Which of the following correctly lists the dimensions of brand equity according to Aaker's model?
(A) Brand Loyalty, Brand Awareness, Perceived Quality, Brand Associations
(B) Brand Salience, Brand Performance, Brand Imagery, Brand Judgments
(C) Price, Place, Promotion, Product
(D) Awareness, Interest, Desire, Action

174. The step in the personal selling process where the salesperson learns as much as possible about a prospective customer before making a sales call is:
(A) Prospecting
(B) Approach
(C) Pre-approach
(D) Presentation

175. A university promoting its highly qualified faculty, modern campus, and successful alumni is trying to manage which aspect of the service marketing mix?
(A) Price
(B) Process

Downloaded from www.pdf.tube

(C) A is true but R is false.
(D) A is false but R is true.

134. The 'order-to-cash' cycle is a key process in:
(A) Brand management
(B) Supply chain management
(C) Service quality management
(D) Advertising campaign design

135. A hospital's clean facilities, modern equipment, and well-dressed staff are all part of the _____ in service marketing.
(A) Process
(B) People
(C) Physical Evidence
(D) Promotion

136. Which statement best describes the 'value' concept in CRM?
(A) The unit price of the product sold to the customer.
(B) Perceived benefits relative to relationship costs.
(C) Total revenue generated by the primary sales team.
(D) The installation cost of the primary CRM software.

137. What is a major advantage of organized retail over unorganized retail?
(A) Lower real estate and facility costs.
(B) Economies of scale and supply chain efficiency.
(C) Less need for skilled or professional manpower.
(D) Greater pricing flexibility due to lack of policy.

138. Sending promotional messages and advertisements to potential customers via email is known as:
(A) Social Media Marketing
(B) Search Engine Optimization
(C) Email Marketing
(D) Green Marketing

139. A company that creates a standardized product but customizes its advertising messages for different countries is using which strategy?
(A) Product adaptation
(B) Straight extension
(C) Communication adaptation
(D) Dual adaptation

140. In industrial buying, the group of individuals within an organization who participate in the purchasing decision-making process is known as the:
(A) Focus Group
(B) Buying Center
(C) Quality Circle
(D) Sales Team

141. Which of the following is NOT a benefit of high brand equity?
(A) Greater customer loyalty
(B) Increased vulnerability to competitive marketing actions
(C) Larger margins and more inelastic response to price increases
(D) More favorable customer response to brand extensions

142. Recruiting, selecting, training, motivating, and evaluating salespeople are all part of:
(A) Supply Chain Management
(B) Brand Management
(C) Designing and Managing the Sales Force
(D) Retail Marketing

143. The "Gap Model" of Service Quality is a framework for:
(A) Identifying shortfalls between expectations and perceptions.
(B) Setting the price for new specialized service offerings.
(C) Designing the physical layout of a service facility.
(D) Analyzing the financial performance of a service firm.

144. Which of the following statements about Customer Relationship Marketing is incorrect?
(A) It focuses on long-term relationships rather than short-term transactions.
(B) It treats all customers as equally valuable and important.
(C) It uses data and technology to understand and interact with customers.
(D) Its goal is to improve customer retention and profitability.

NODIA

(C) Hypermarket
(D) Department store

186. Paying a search engine to have your website advertisement appear in the sponsored results for specific keywords is an example of:
(A) Search Engine Optimization (SEO)
(B) Social Media Marketing (SMM)
(C) Search Engine Marketing (SEM) or Pay-Per-Click (PPC)
(D) Green Marketing

187. Which of the following is NOT a valid reason for adapting a product for an international market?
(A) To meet different legal requirements.
(B) To account for differences in climate and geography.
(C) To cater to local tastes and preferences.
(D) To achieve perfect economies of scale in global production.

188. A salesperson asking for the customer's order is performing which critical step in the personal selling process?
(A) Approach
(B) Presentation
(C) Closing
(D) Follow-up

189. Which of the following is NOT a theory or model of consumer behaviour?
(A) Howard-Sheth Model
(B) Engel-Kollat-Blackwell Model
(C) SERVQUAL Model
(D) Nicosia Model

190. Which of the following statements about brand loyalty is incorrect?
(A) It is a key component of brand equity.
(B) It can lead to repeat purchases and positive word-of-mouth.
(C) It makes customers more sensitive to price increases from competitors.
(D) Committed buyers represent the highest level of brand loyalty.

191. Arrange the following supply chain activities in a logical flow from supplier to customer:
(i) Inbound Transportation
(ii) Manufacturing/Assembly
(iii) Sourcing and Procurement
(iv) Outbound Transportation
(v) Order Fulfillment
Choose the correct sequence:
(A) (iii), (i), (ii), (v), (iv)
(B) (i), (iii), (ii), (iv), (v)
(C) (iii), (ii), (i), (v), (iv)
(D) (v), iv, (ii), (i), (iii)

192. Which of the following elements are part of the extended marketing mix for services (the 7Ps)?
(A) People, Process, Physical Evidence
(B) Planning, Production, Profit
(C) Perception, Persuasion, Publicity
(D) Purpose, Passion, Performance

193. Match the CRM strategies and processes in List I with their descriptions in List II.
List I: (Concept)
P. Customer Lifetime Value (CLV)
Q. Customer Retention
R. Customer Acquisition
S. Customer Differentiation
List II: (Description)
1. Strategies aimed at attracting new customers.
2. Grouping customers based on their value or needs.
3. The total net profit a company can expect from a customer over time.
4. Strategies aimed at keeping existing customers from switching to competitors.
Codes:
(A) P-1, Q-2, R-3, S-4
(B) P-4, Q-3, R-2, S-1
(C) P-2, Q-1, R-4, S-3
(D) P-3, Q-4, R-1, S-2

194. What is the primary purpose of a sales force in a company?
(A) To manage the company's financial accounts.
(B) To link the company with its customers by communicating, selling, and building relationships.
(C) To design and manufacture new products.
(D) To handle all public relations activities.

195. The rapid adoption of mobile wallets and UPI payments is a recent trend influencing which aspect of the retail experience?
(A) Product assortment

Click Here to Buy book on Amazon

(C) The increase in customer retention, loyalty, and lifetime value.
(D) The size of the customer database.

235. The rise of 'private labels' is a retail trend where:
(A) Brands sell their products in their own exclusive stores.
(B) Retailers create and market their own brands in their stores.
(C) International brands enter the market.
(D) Small independent stores form a cooperative.

236. Which of the following is a key characteristic of direct marketing?
(A) It is always targeted at a mass, undifferentiated audience.
(B) It aims to elicit a direct, measurable response from the customer.
(C) It relies exclusively on print media like newspapers.
(D) It is primarily used for building long-term brand image without a call-to-action.

237. What is the primary motivation for a firm to engage in a joint venture for international expansion?
(A) To maintain 100% control and receive all generated profits.
(B) To gain local knowledge, share costs, and reduce entry risks.
(C) To avoid any level of financial investment in foreign markets.
(D) To test markets with the lowest possible level of commitment.

238. The stage in the consumer buying process where a person feels a difference between their actual state and a desired state is:
(A) Information Search
(B) Purchase Decision
(C) Problem Recognition
(D) Post-purchase Evaluation

239. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): The personal selling process is a fixed, rigid sequence of steps that must be followed in the same way for every sale.
Reason (R): Effective selling requires flexibility and adapting the process to the specific customer and selling situation.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

NODIA

240. Which SCM driver involves decisions on modes of transport, routing, and delivery schedules?
(A) Facilities
(B) Inventory
(C) Transportation
(D) Information

241. A key challenge for service marketers, stemming from the fact that services cannot be seen, tasted, or felt before purchase, is:
(A) Perishability
(B) Variability
(C) Inseparability
(D) Intangibility

242. A CRM system is best described as:
(A) A basic software tool designed for the direct sales department.
(B) A strategic, tech-enabled approach to managing customer data.
(C) A financial accounting system for tracking general payments.
(D) A simple method for reducing the price of all core products.

243. Match the emerging marketing concepts in List I with their primary focus or tools in List II.
List I: (Concept)
P. Digital Marketing
Q. Green Marketing
R. Direct Marketing
S. e-Marketing
List II: (Primary Focus/Tool)
1. Communicating with customers directly to generate a response.
2. Promoting products based on their environmental benefits.
3. Marketing using internet technologies.
4. An umbrella term for marketing using digital channels.
Codes:
(A) P-4, Q-2, R-1, S-3
(B) P-1, Q-3, R-2, S-4

and develops a unique marketing mix for each.
(C) Views the entire world as a single market and develops a standardized marketing strategy.
(D) Focuses only on countries within its own geographic region.

206. Which type of consumer buying behaviour is characterized by high involvement but few perceived differences among brands?
(A) Complex buying behaviour
(B) Dissonance-reducing buying behaviour
(C) Habitual buying behaviour
(D) Variety-seeking buying behaviour

207. What is a key difference between a brand name and a brand mark?
(A) A brand name is legally protected, but a brand mark is not.
(B) A brand name is the part that can be spoken, while a brand mark is the non-vocal symbol or design.
(C) A brand name is for products, and a brand mark is for services.
(D) There is no difference; the terms are interchangeable.

208. The primary purpose of personal selling is to:
(A) Build long-term brand image through mass media.
(B) Conduct market research surveys.
(C) Engage in interpersonal communication to persuade a customer to make a purchase.
(D) Manage the logistics and delivery of products.

209. Which of the following is a primary marketing strategy for a service firm?
(A) Focusing on making the service as tangible as possible.
(B) Ignoring employee training as customers don't see them.
(C) Standardizing prices regardless of demand fluctuations.
(D) Reducing the physical evidence to save costs.

210. A company that analyzes its customer data to identify its most profitable customers is performing which step of the CRM process?
(A) Interaction
(B) Customization
(C) Identification
(D) Differentiation

211. Consider the following statements regarding retail:
Statement I: The growth of organized retail has been driven, in part, by changes in consumer behaviour and rising incomes.
Statement II: Unorganized retail, comprising small, family-owned stores, still holds a significant share of the total retail market.
(A) Both Statement I and Statement II are fundamentally correct.
(B) Both Statement I and Statement II are fundamentally incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

212. Which of the following is an example of 'Green Marketing'?
(A) An automobile company advertising its new electric vehicle.
(B) A company using social media to engage with customers.
(C) A retailer sending promotional coupons via direct mail.
(D) A brand creating a viral video campaign.

213. Which market entry mode offers the firm the highest level of control over its foreign operations?
(A) Exporting
(B) Licensing
(C) Franchising
(D) Wholly-Owned Subsidiary

214. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Industrial buying behaviour is typically a more rational and professional process compared to consumer buying.
Reason (R): Industrial purchases must satisfy specific technical and economic criteria of the organization and are evaluated by trained professionals.
(A) Statement A and Statement R are both true

NODIA

(B) Store location
(C) In-store payment and checkout process
(D) Supply chain logistics

196. Which emerging marketing concept is concerned with promoting social causes, such as public health campaigns or environmental awareness?
(A) Green Marketing
(B) Social Marketing
(C) Digital Marketing
(D) Direct Marketing

197. Given below are two statements, one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): The choice of an international market entry mode is a critical strategic decision.
Reason (R): The entry mode determines the level of control, risk, and resource commitment a firm has in a foreign market, which has long-term consequences.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

198. The set of all actual and potential buyers of a product or service is known as the:
(A) Supply Chain
(B) Market
(C) Buying Center
(D) Reference Group

199. Which of the following is the best example of co-branding?
(A) Apple releasing the iPhone 13 and iPhone 13 Pro.
(B) Nike using its brand name on both shoes and apparel.
(C) A credit card issued jointly by a bank and an airline.
(D) A supermarket selling products under its own store brand.

200. The integration of business processes from end user through original suppliers that provides products, services, and information that add value for customers is a definition of:
(A) Logistics Management
(B) Retail Management
(C) Supply Chain Management
(D) Brand Management

201. For a service firm like a consultancy, the expertise, courtesy, and trustworthiness of its employees would fall under which dimension of the SERVQUAL model?
(A) Reliability
(B) Tangibles
(C) Responsiveness
(D) Assurance

202. Which of the following statements regarding the CRM process is correct?
(A) The process ends once a customer is acquired.
(B) Interaction with customers is a one-time event, not a continuous process.
(C) It involves a cycle of identifying, differentiating, interacting with, and customizing for customers.
(D) Customization means offering the same standardized product to all customers.

203. Consider the following significant recent trends in retailing:
(i) Growth of organized retail
(ii) Emergence of e-retailing
(iii) Increase in private label brands
(iv) A complete shutdown of unorganized retail
(v) A decline in consumer spending
Which of the above statement(s) is/are correct?
(A) (i), (ii), and (iii)
(B) (i), (iv), and (v)
(C) (ii), (iii), and (iv)
(D) All of the above

204. Which concept is NOT part of emerging trends in marketing?
(A) Digital Marketing
(B) Green Marketing
(C) The Production Concept
(D) e-Marketing

205. A geocentric approach to international marketing means a company:
(A) Views the home country as superior and adapts products only slightly.
(B) Treats each country as a separate market

Downloaded from www.pdf.tube

224. Which of the following is NOT a primary responsibility of a sales force manager?
(A) Setting sales objectives
(B) Developing the company's overall production schedule
(C) Recruiting and training salespeople
(D) Motivating and evaluating the sales team

225. The characteristic of services that makes it difficult to maintain consistency and uniformity in output is:
(A) Intangibility
(B) Inseparability
(C) Variability (or Heterogeneity)
(D) Perishability

226. Which is the most appropriate reason for a firm to invest in CRM?
(A) Because a major competitor has implemented a basic CRM system.
(B) To significantly reduce the number of employees in the company.
(C) To build sustainable competitive advantage through customer loyalty.
(D) To generate a high volume of untargeted or mass marketing emails.

227. What distinguishes retail marketing from other forms of marketing?
(A) It involves selling goods and services directly to final consumers for their personal use.
(B) It only deals with selling products online.
(C) It is focused on selling raw materials to manufacturers.
(D) It does not involve any promotional activities.

228. A marketing philosophy where a company tries to serve the needs of its customers while also preserving or enhancing the well-being of the natural environment is known as:
(A) The Selling Concept
(B) The Production Concept
(C) Green Marketing
(D) Direct Marketing

229. When a restaurant in one country offers a unique product that is not available in its home country, it is an example of:
(A) Straight product extension
(B) Product adaptation
(C) Communication adaptation
(D) Product invention

230. Which of the following is a social factor that influences consumer behaviour?
(A) Personality
(B) Perception
(C) Learning
(D) Family and reference groups

231. A successful branding strategy can lead to all of the following outcomes EXCEPT:
(A) Increased price sensitivity among loyal customers.
(B) A price premium for the brand.
(C) Greater channel cooperation and support.
(D) Increased marketing communication effectiveness.

232. Which of the following is a key driver for creating value in a supply chain?
(A) Increasing information distortion between primary partners.
(B) Maximizing inventory at every stage to prevent stockouts.
(C) Achieving strategic fit between supply chain and competition.
(D) Minimizing communication with suppliers for better secrecy.

NODIA

233. Consider the following statements regarding service brands:
Statement I: A service brand is built primarily through advertising and is independent of the customer's actual service experience.
Statement II: For service brands, the 'moment of truth' during the service encounter is critical for shaping brand perception and loyalty.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

234. The ultimate success of a CRM program is best measured by:
(A) The number of emails sent per week.
(B) The cost of the CRM software license.

Based on the above source, attempt the following five questions.

251. According to the passage, what is the primary purpose of theories and models of consumer behaviour?
(A) To guarantee sales success for all new product launches.
(B) To provide a conceptual framework for analysing the consumer's decision-making process.
(C) To exclusively focus on the economic rationale behind every purchase.
(D) To replace the need for market research with theoretical assumptions.

252. The passage distinguishes between consumer and industrial buying behaviour primarily based on which of the following?
(A) The formality of the process and the nature of the decision-making unit.
(B) The final price of the product or service being purchased.
(C) The geographical location of the buyer and the seller.
(D) The frequency of purchases made in a given fiscal year.

253. The term 'black box' of the consumer's mind, as used in the text, refers to what?
(A) The external environmental factors influencing a purchase.
(B) The marketing communications a consumer is exposed to.
(C) The unobservable internal mental processes of a consumer.
(D) The final purchase decision made by the consumer.

254. Which of the following can be inferred as a key application of understanding consumer behaviour?
(A) Reducing the cost of production and distribution.
(B) Complying with international trade regulations.
(C) Automating the entire sales process.
(D) Developing a more effective marketing mix.

255. The passage suggests that consumer behaviour models draw from multiple perspectives. Which combination is explicitly mentioned?
(A) Historical, political, and technological.
(B) Financial, legal, and operational.
(C) Economic, psychological, and socio-cultural.
(D) Anthropological, philosophical, and ethical.

Direction : Please read the following source carefully.

Brand management is a strategic discipline focused on creating, maintaining, and enhancing a brand's value in the marketplace. The fundamental role of a brand extends beyond a mere name or symbol; it functions as a promise to the consumer, encapsulating a set of expectations regarding quality, service, and experience. This promise helps differentiate a product from its competitors, simplifies consumer choice, and reduces perceived risk. At the heart of successful brand management lies the concept of brand equity, which represents the added value a brand name bestows upon a product. This value is not inherent in the product itself but is built over time through marketing efforts, consumer experiences, and overall perception. To measure and manage this intangible asset, various brand equity models have been developed. These models provide a structured approach to understanding the sources of brand equity, such as brand awareness, perceived quality, brand associations, and brand loyalty. By systematically tracking these components, firms can diagnose the health of their brand, identify areas for improvement, and make informed strategic decisions to strengthen their market position. Ultimately, high brand equity translates into tangible financial benefits, including price premiums, greater market share, and increased leverage in distribution channels.

Based on the above source, attempt the following five questions.

256. What is described as the core concept at the heart of successful brand management?
(A) The development of a visually appealing logo.
(B) The creation and measurement of brand equity.
(C) The establishment of competitive pricing.
(D) The frequency of advertising campaigns.

Click Here to Buy book on Amazon

(C) P-3, Q-1, R-4, S-2
(D) P-2, Q-4, R-3, S-1

244. What is meant by 'channel of distribution' in a marketing mix?
(A) The promotional message used in an advertising campaign.
(B) The path that goods take to move from the producer to the final consumer.
(C) The price-setting strategy for a product.
(D) The physical characteristics of the product packaging.

245. Which of the following is a primary objective of developing a branding strategy?
(A) To create a distinct identity and position for a product or service in the minds of consumers.
(B) To ensure the product is produced at the lowest possible cost.
(C) To sell the product to every single consumer in the market.
(D) To bypass all legal requirements for marketing a product.

246. A sales force structure where salespeople specialize in selling only a portion of the company's product line is known as a:
(A) Territorial sales force structure.
(B) Product sales force structure.
(C) Customer sales force structure.
(D) Simple sales force structure.

247. In the context of CRM, which statement is most accurate?
(A) It is cheaper to acquire a new customer than to retain one.
(B) It is more profitable to focus on short-term transactions.
(C) Loyal, long-term customers are often the most profitable.
(D) Customer satisfaction has no impact on future profitability.

248. Which of the following is NOT a type of retail outlet?
(A) Department Store
(B) Supermarket
(C) Wholesaler
(D) Convenience Store

249. The use of techniques to improve a website's ranking on search engine results pages (SERPs) is central to:
(A) Digital Marketing
(B) Green Marketing
(C) Direct Marketing
(D) Personal Selling

250. A company choosing to centralize its operations and view the whole world as its market would be adopting which kind of international marketing strategy?
(A) Geocentric or Global
(B) Polycentric
(C) Ethnocentric
(D) Regiocentric

Direction : Please read the following source carefully.

The study of buying behaviour is a cornerstone of modern marketing, bifurcated into two distinct domains: consumer behaviour and industrial buying behaviour. While both involve a purchase decision process, their underlying motivations, influencing factors, and decision-making units differ significantly. Consumer behaviour analysis delves into how individuals, groups, or organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants. To systematize this understanding, various theories and models of consumer behaviour have been developed. These frameworks, ranging from economic and psychological to socio-cultural perspectives, attempt to map the intricate journey from stimulus to response. They provide marketers with a conceptual lens to analyse the 'black box' of the consumer's mind, considering internal factors like perception and motivation, and external factors like culture and social class. Industrial buying behaviour, in contrast, is characterized by more formalized, complex, and technically-driven processes, involving multiple stakeholders within an organization. The application of these behavioural models allows for more effective market segmentation, targeting, and positioning, ultimately leading to a marketing mix that resonates with the intended audience and addresses their specific decision-making calculus, whether they are an individual household or a large corporation.

NODIA

and logically connected.
(B) Both Statement A and Statement R are true but not logically connected.
(C) Statement A is correct, but Statement R is incorrect.
(D) Statement A is incorrect, but Statement R is correct.

215. Which of the following is a key element of a brand that helps to identify and differentiate it?
(A) Price
(B) Name, logo, symbol, or design
(C) Production cost
(D) Distribution channel

216. Which of the following is a key trade-off in logistics and supply chain management?
(A) The trade-off between inventory cost and transportation cost.
(B) The trade-off between marketing and finance.
(C) The trade-off between brand equity and brand loyalty.
(D) The trade-off between sales promotion and advertising.

217. Match the elements of the Service Marketing mix in List I with their example components in List II.
List I: (The 'P')
P. People
Q. Process
R. Physical Evidence
S. Product (Service)
List II: (Example Component)
1. The design and decor of a hotel lobby.
2. The core benefit being offered, e.g., transportation by an airline.
3. The training and attitude of the cabin crew.
4. The procedure for online check-in and baggage handling.
Codes:
(A) P-1, Q-2, R-3, S-4
(B) P-3, Q-4, R-1, S-2
(C) P-4, Q-3, R-2, S-1
(D) P-2, Q-1, R-4, S-3

218. The core idea behind Customer Relationship Marketing (CRM) is to:
(A) Treat all customers identically to ensure organizational fairness.
(B) Focus on acquiring new customers over retaining existing clients.
(C) Transition from a transactional to a relationship-based model.
(D) Use software to eliminate the need for a marketing department.

219. Which of the following is a characteristic of organized retailing?
(A) Small, owner-manned outlets.
(B) Maintained on a credit basis.
(C) Application of modern management techniques and technology.
(D) Limited product variety and assortment.

220. The concept of e-Marketing primarily involves:
(A) Using electronic channels like the internet to market products and services.
(B) Marketing environmentally friendly products.
(C) Sending mail directly to customers' homes.
(D) Using tele-callers to sell products.

221. A key challenge when planning the price component of the marketing mix for international markets is:
(A) Price escalation
(B) Product standardization
(C) Channel selection
(D) Promotion adaptation

222. Consider the following potential roles within an industrial buying center:
(i) Users
(ii) Influencers
(iii) Buyers
(iv) Deciders
(v) Competitors
Which of the above statement(s) is/are correct?
(A) (i), (ii), and (v)
(B) (iii), (iv), and (v)
(C) (i), (ii), (iii), and (iv)
(D) (i), (ii), and (iv)

223. The differential effect that brand knowledge has on consumer response to the marketing of that brand is the definition of:
(A) Brand Loyalty
(B) Brand Awareness
(C) Customer-Based Brand Equity
(D) Brand Positioning

Downloaded from www.pdf.tube

257. According to the passage, what is the fundamental role of a brand?
(A) To serve as a legal trademark for a company.
(B) To ensure the product is sold at the lowest possible price.
(C) To list the technical specifications of a product.
(D) To act as a promise of a certain experience to the consumer.

258. The passage states that brand equity is the "added value a brand name bestows upon a product." This implies that the value is primarily derived from:
(A) The consumer's perception and accumulated experiences with the brand.
(B) The physical attributes and features of the product.
(C) The cost of raw materials used in manufacturing the product.
(D) The efficiency of the product's supply chain.

259. What is the main purpose of brand equity models as described in the text?
(A) To automate the process of creating new brand names.
(B) To calculate the exact future revenue a brand will generate.
(C) To provide a framework for understanding and measuring brand value.
(D) To design packaging and promotional materials for a product.

260. Which of the following is NOT mentioned in the passage as a source or component of brand equity?
(A) Manufacturing cost.
(B) Brand awareness.
(C) Perceived quality.
(D) Brand associations.

Direction : Please read the following source carefully.

Developing a coherent branding strategy is a critical task that involves a series of deliberate decisions aimed at building long-term brand value. A foundational element of this strategy is the brand name decision, which requires careful consideration of memorability, meaningfulness, and protectability. The chosen name becomes a central anchor for the brand's identity. Beyond the initial naming, a key strategic choice involves brand extensions, where a firm uses an established brand name to introduce a new product. This strategy leverages the existing equity and consumer trust of the parent brand to facilitate market entry for the new offering. However, brand extensions are not without risk; a failed extension can dilute the core brand's image and weaken its equity. The ultimate goal of any branding strategy is to cultivate brand loyalty, a state where consumers exhibit a deep-seated commitment to repurchase a preferred brand consistently in the future. This loyalty is the pinnacle of brand equity, creating a sustainable competitive advantage by insulating the firm from competitive pressures and price sensitivity. Therefore, every aspect of the branding strategy, from name selection to extension policies, should be orchestrated to build a strong, positive relationship with consumers that culminates in unwavering loyalty.

Based on the above source, attempt the following five questions.

261. According to the passage, what is the primary advantage of using a brand extension strategy?
(A) It guarantees the success of the new product in any market.
(B) It reduces the initial manufacturing cost of the new product.
(C) It automatically protects the new product with international patents.
(D) It leverages the established equity of the parent brand for the new product.

262. The text identifies a significant risk associated with brand extensions. What is this risk?
(A) An increase in production overheads.
(B) The potential dilution of the core brand's image.
(C) The legal challenges in registering a new product.
(D) The difficulty in securing distribution channels.

263. Which of the following is described as the "pinnacle of brand equity" and the ultimate goal of a branding strategy?
(A) High initial sales figures.
(B) Widespread brand awareness.
(C) Deep-seated brand loyalty.
(D) Creative advertising campaigns.

NODIA

264. When making brand name decisions, which of the following criteria is mentioned in the text?
(A) The length of the name and its alphabetical order.
(B) The name's popularity in foreign languages.
(C) The name's similarity to existing competitor names.
(D) The memorability, meaningfulness, and protectability of the name.

265. What is the overarching purpose of orchestrating all elements of a branding strategy, as inferred from the passage?
(A) To build a strong and loyal relationship with consumers.
(B) To minimize marketing expenditures in the short term.
(C) To focus exclusively on market share expansion.
(D) To justify charging the highest possible price for a product.

Direction : Please read the following source carefully.

Logistics and Supply Chain Management (SCM) are integral to modern business operations, though they represent distinct yet overlapping concepts. Logistics traditionally refers to the part of the supply chain process that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services, and related information between the point of origin and the point of consumption. Supply Chain Management, however, is a broader, more strategic concept that encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Crucially, SCM also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers. The primary drivers of SCM are the pursuit of operational efficiency, cost reduction, and enhanced customer service. The ultimate goal is value creation, which is achieved not just by minimizing costs, but by optimizing the entire chain to deliver superior value to the end customer. A well-executed supply chain design is fundamental to achieving this, as it structures the network of facilities and distribution options to perform the functions of procurement, manufacturing, and distribution in the most effective manner, thereby creating a sustainable competitive advantage.

Based on the above source, attempt the following five questions.

266. How does the passage differentiate Supply Chain Management (SCM) from logistics?
(A) Logistics is strategic, while SCM is purely operational.
(B) SCM is a broader concept that includes logistics along with other activities like procurement and collaboration.
(C) Logistics deals with services, whereas SCM deals exclusively with goods.
(D) SCM focuses on reverse flow, while logistics focuses only on forward flow.

267. According to the text, what is the ultimate goal of Supply Chain Management?
(A) To exclusively minimize transportation and storage costs.
(B) To create and deliver superior value to the end customer.
(C) To manage only the internal operations of a single company.
(D) To increase the number of suppliers a company works with.

268. Which of the following is identified as a primary driver of SCM?
(A) The pursuit of enhanced customer service and operational efficiency.
(B) The need to comply with governmental regulations.
(C) The desire to increase a company's stock price.
(D) The goal of expanding into new geographical markets.

269. The passage implies that an effective supply chain design directly contributes to:
(A) The company's advertising message.
(B) The aesthetic design of the final product.
(C) The creation of a sustainable competitive advantage.
(D) The reduction of employee turnover.

270. SCM's scope is described as including coordination and collaboration with various

Click Here to Buy book on Amazon

channel partners. Which of the following is NOT mentioned as a channel partner in the text?
(A) Suppliers.
(B) Customers.
(C) Third-party service providers.
(D) Competitors.

Direction : Please read the following source carefully.

The effectiveness of a company's marketing efforts often hinges on the quality and performance of its sales force. Designing and managing the sales force is a strategic function that involves defining objectives, structuring the sales team, and determining its size. The structure can be organized by territory, product, or customer type, each with its own advantages for market coverage and specialization. Management of the sales force is a continuous process encompassing recruitment, selection, training, motivation, compensation, and evaluation of salespeople. A crucial component of the sales force's role is personal selling, a direct, face-to-face or interactive communication between a salesperson and a prospective customer. Unlike advertising, which is a one-way, non-personal communication, personal selling allows for a dynamic two-way dialogue. This interaction enables the salesperson to identify specific customer needs, tailor the presentation, address objections in real-time, and build a personal relationship, which is vital for complex, high-value products. Effective management ensures that the sales force is not only skilled in the art of persuasion but is also aligned with the company's overall marketing and relationship-building goals, acting as a critical link between the company and its customers.

Based on the above source, attempt the following five questions.

271. What key characteristic distinguishes personal selling from advertising, according to the passage?
(A) Personal selling is less expensive than advertising.
(B) Personal selling is a one-way communication, while advertising is two-way.
(C) Personal selling allows for a dynamic two-way dialogue, while advertising does not.
(D) Personal selling is a non-personal communication, while advertising is personal.

272. Which of the following is described as a continuous process involved in managing a sales force?
(A) The initial design of the company's logo.
(B) The recruitment, training, and evaluation of salespeople.
(C) The setting of the annual corporate budget.
(D) The selection of media channels for mass advertising.

273. The passage suggests that organizing a sales force structure by territory, product, or customer is done to achieve:
(A) Reduced travel costs and simplified accounting.
(B) Compliance with labour laws and regulations.
(C) A standardized sales pitch for all customers.
(D) Better market coverage and specialization.

274. Based on the text, personal selling is particularly vital for which type of products?
(A) Complex, high-value products.
(B) Low-cost, fast-moving consumer goods.
(C) Simple, standardized commodities.
(D) Digitally downloaded software and media.

275. What is the inferred strategic role of the sales force as a link between the company and its customers?
(A) To exclusively handle customer complaints and product returns.
(B) To gather competitive intelligence without customer interaction.
(C) To align sales activities with broader marketing and relationship goals.
(D) To operate independently of the marketing department's strategy.

Direction : Please read the following source carefully.

Service marketing presents a unique set of challenges and strategic imperatives compared to the marketing of tangible goods. The inherent characteristics of services—intangibility, inseparability, variability, and perishability—necessitate distinct marketing approaches. Because services are performances or experiences rather than objects, consumers cannot see or touch

Downloaded from www.pdf.tube

286. Which of the following is described as a prominent recent trend in Indian retail marketing?
(A) The complete disappearance of traditional unorganized retail.
(B) A decline in consumer disposable income.
(C) A consumer shift away from all forms of digital shopping.
(D) The rapid growth of organized retail and modern outlets.

287. The concept of "omnichannel retailing" as described in the passage involves:
(A) Focusing exclusively on either physical stores or online stores.
(B) Selling only one category of products.
(C) Integrating physical and online presences for a seamless customer experience.
(D) Operating retail outlets only in rural areas.

288. According to the text, what are hypermarkets, supermarkets, and department stores examples of?
(A) The traditional unorganized retail sector.
(B) Modern types of retail outlets.
(C) Exclusively online e-commerce platforms.
(D) Government-owned distribution channels.

289. The passage identifies a growing consumer preference for which type of products offered by large retailers?
(A) Imported luxury goods.
(B) Unbranded commodities.
(C) Handcrafted artisanal products.
(D) Private labels.

290. What are the driving forces behind the recent trends in Indian retail mentioned in the text?
(A) Changing consumer lifestyles, rising incomes, and digitalization.
(B) Government regulations and trade barriers.
(C) A decline in internet penetration and technology adoption.
(D) Static consumer lifestyles and fixed incomes.

Direction : Please read the following source carefully.

The field of marketing is continuously evolving, with a number of emerging trends fundamentally altering how companies connect with their customers. The concept of e-marketing, or electronic marketing, refers broadly to the use of the internet and digital media to achieve marketing objectives. It is a wide-ranging term that encompasses a more specific practice: digital marketing. Digital marketing involves managing a company's online presence through various digital channels like search engines, social media, email, and mobile apps. A subset of both these concepts is direct marketing, which aims to elicit a specific response from a targeted group of consumers using channels such as direct mail, telemarketing, and increasingly, personalized email. It is characterized by its directness and measurability. A distinct and increasingly important trend is green marketing, which involves the development and promotion of products and services that are presumed to be environmentally safe. Green marketing moves beyond a purely promotional tactic; it reflects a broader corporate philosophy that integrates environmental considerations into all aspects of marketing, from product design to packaging and communication. These emerging trends are not mutually exclusive and are often integrated to create comprehensive and effective modern marketing strategies.

Based on the above source, attempt the following five questions.

291. How does the passage define "green marketing"?
(A) Marketing that exclusively uses the color green in its advertisements.
(B) A strategy focused only on reducing the cost of marketing materials.
(C) The development and promotion of environmentally safe products and services.
(D) Marketing targeted solely at rural and agricultural consumers.

292. According to the text, what is the relationship between e-marketing and digital marketing?
(A) E-marketing is a broader term that encompasses digital marketing.
(B) They are completely unrelated and opposite concepts.
(C) E-marketing is a specific type of digital marketing.
(D) Both terms refer exclusively to marketing via television commercials.

NODIA

continuous process of interaction and learning. The CRM process is systematic, often supported by technology, and involves collecting and analysing customer data to gain insights, using these insights to tailor offerings, and managing customer interactions across all touchpoints. By successfully implementing this process, firms can increase customer retention, enhance customer lifetime value, and build a sustainable competitive advantage based on strong customer relationships.

Based on the above source, attempt the following five questions.

281. What is the fundamental shift in perspective represented by Customer Relationship Marketing (CRM)?
(A) From a transactional focus to a relational focus.
(B) From a quality focus to a price focus.
(C) From a domestic market focus to an international market focus.
(D) From a product focus to a production focus.

282. The passage states that the CRM process is systematic and often supported by technology. What is the primary purpose of using technology in this context?
(A) To eliminate the need for a human sales force.
(B) To collect and analyse customer data for insights.
(C) To design new product features and specifications.
(D) To automate the manufacturing and logistics processes.

283. According to the text, what is the definition of 'customer value' in the context of CRM?
(A) The total revenue a customer generates for the firm.
(B) The customer's perception of the benefits received versus the costs incurred.
(C) The market value of the company's shares.
(D) The cost of acquiring a new customer compared to retaining an existing one.

284. Which of the following is identified as a key strategy employed in CRM?
(A) Loyalty programs and personalized communication.
(B) Mass media advertising campaigns.
(C) Standardized, one-size-fits-all product offerings.
(D) Short-term, aggressive sales promotions.

285. A major outcome of successfully implementing a CRM process, as mentioned in the passage, is:
(A) An increase in short-term profits from one-time sales.
(B) A reduction in the variety of products offered.
(C) An enhancement of customer lifetime value.
(D) The elimination of all marketing-related costs.

Direction : Please read the following source carefully.

The landscape of retail marketing in India has been undergoing a significant transformation, marked by several recent trends that are reshaping how consumers shop and how businesses sell. One of the most prominent trends is the rapid growth of organized retail, which coexists alongside the vast, traditional unorganized sector. This has led to the proliferation of modern retail outlets such as hypermarkets, supermarkets, department stores, and specialty stores, particularly in urban and semi-urban areas. Another major trend is the surge of e-commerce and omnichannel retailing, where businesses integrate their physical and online presence to provide a seamless customer experience. This allows consumers to browse online and purchase in-store, or vice versa. The types of retail outlets in the country are diverse, ranging from small, family-owned 'kirana' stores in the unorganized sector to large-format destination malls that offer a mix of shopping, entertainment, and dining. Furthermore, there is a growing consumer preference for private labels offered by large retailers, which provide a combination of quality and value. These shifts are driven by changing consumer lifestyles, rising disposable incomes, and increasing digitalization, forcing retailers to innovate continuously to remain competitive in a dynamic market.

Based on the above source, attempt the following five questions.

Click Here to Buy book on Amazon

24. (A) Direct Marketing
Direct marketing involves communicating directly with individual consumers to elicit a specific response or transaction. By using tools such as personalized emails, telemarketing, and direct mail, companies can bypass traditional intermediaries and deliver tailored messages. This approach allows for precise targeting based on customer data and provides measurable results. It is highly effective for building one-to-one relationships and driving immediate sales actions from a carefully selected audience.

25. (C) Promotion and advertising
Promotion and advertising strategies often require significant modification when entering international markets due to diverse cultural norms and language differences. Local media availability and consumer habits vary greatly across regions, making a standardized approach less effective. Adapting communication ensures that marketing messages resonate with the local audience, respect cultural sensitivities, and effectively utilize the most popular media channels in each specific foreign market for better engagement.

26. (A) (i), (ii), (iii), and (iv)
The Customer-Based Brand Equity model outlines a structured sequence of steps for building a powerful brand. It begins with establishing a clear identity to ensure awareness, followed by creating meaning through performance and imagery. The process then focuses on eliciting positive customer responses in terms of judgments and feelings. Finally, the ultimate goal is to foster deep relationships and resonance, whereas profitability is an outcome of equity rather than a building block.

27. (D) Setting sales force objectives.
The first critical step in designing an effective sales force is establishing clear objectives that align with the company's overall marketing goals. These objectives define what the sales team is expected to achieve, such as increasing market share, acquiring new customers, or providing technical support. Once these goals are set, management can then proceed to determine the appropriate strategy, structure, size, and compensation required to fulfill these specific organizational requirements.

28. (B) Variability
Variability, or heterogeneity, refers to the fact that service quality can vary significantly depending on the provider, the timing, and the location of delivery. Unlike manufactured goods that can be standardized on an assembly line, services involve human interactions that are naturally inconsistent. This characteristic makes it difficult for service firms to maintain uniform quality standards, requiring them to invest heavily in employee training, standardized processes, and customer feedback monitoring.

29. (C) Customization
Customization is the final stage of the customer relationship management process, where a business tailors its products or services to meet the specific needs of individual clients. After identifying and differentiating customers based on their value and preferences, the firm interacts with them to gather deeper insights. This knowledge allows the company to provide personalized experiences, which increases customer satisfaction, builds loyalty, and enhances the overall profitability of the relationship.

30. (D) The decline of traditional 'kirana' stores.
The retail landscape is currently experiencing several major shifts, including the rapid growth of e-commerce and the expansion of large corporate chains. Additionally, increased foreign investment and the rise of private label brands are shaping the market. However, traditional small-scale 'kirana' stores have shown remarkable resilience and remain a dominant force in many regions. Rather than disappearing, they are often modernizing their operations to coexist alongside larger organized retail formats.

31. (A) Green Marketing
Green marketing involves the development and promotion of products that are environmentally safe or designed to minimize ecological damage. This approach considers the entire product lifecycle, from sourcing sustainable raw materials to ensuring recyclable packaging. By addressing the growing environmental concerns of consumers, businesses can build a socially responsible brand image. This strategy not only benefits the planet but also appeals to a growing segment of eco-conscious shoppers.

NODIA

293. Which marketing trend is characterized by its aim to elicit a specific, measurable response from a targeted group?
(A) Green marketing.
(B) E-marketing.
(C) Brand management.
(D) Direct marketing.

294. The passage suggests that green marketing is more than just a promotional tactic because it:
(A) Guarantees higher profits than any other strategy.
(B) Reflects a broader corporate philosophy integrating environmental concerns.
(C) Is the only legally permissible form of marketing.
(D) Is applicable only to non-profit organizations.

295. Which of the following is mentioned as a channel for digital marketing?
(A) Print newspapers.
(B) Radio broadcasts.
(C) Social media and search engines.
(D) Physical billboards.

Direction : Please read the following source carefully.

International marketing involves the formidable task of operating across national borders, which introduces layers of complexity not present in domestic markets. A primary strategic challenge for firms venturing abroad is the selection of an entry mode. This critical entry mode decision determines the level of commitment, risk, control, and profit potential. Options range from low-commitment methods like indirect exporting and licensing to high-commitment strategies such as joint ventures and direct investment, which involves establishing manufacturing or assembly facilities in the host country. The choice depends on a careful analysis of market size, political and economic stability, competitive landscape, and the firm's own resources and objectives. Once a mode of entry is chosen, the firm faces the equally challenging task of planning the marketing mix for international markets. This involves deciding on the degree of adaptation for the product, price, place (distribution), and promotion. The central dilemma is whether to standardize the marketing mix for efficiency and a consistent global image, or to adapt it to meet the unique needs, preferences, and cultural nuances of each local market. This standardization-versus-adaptation debate is at the core of planning an effective international marketing strategy, requiring a delicate balance to optimize global performance.

Based on the above source, attempt the following five questions.

296. According to the passage, what is the primary strategic challenge for firms when they first venture into international marketing?
(A) Designing a new company logo.
(B) Hiring a local advertising agency.
(C) Translating the company's name.
(D) Selecting an appropriate entry mode.

297. The passage describes joint ventures and direct investment as examples of what kind of entry mode strategy?
(A) High-commitment and high-involvement.
(B) Low-commitment and low-risk.
(C) Adaptation-focused and localized.
(D) Standardization-focused and global.

298. What is the central dilemma described in the text regarding the planning of an international marketing mix?
(A) Whether to focus on product quality or low price.
(B) Whether to standardize or adapt the marketing mix.
(C) Whether to use digital marketing or traditional advertising.
(D) Whether to target a niche market or a mass market.

299. Based on the text, the decision to adapt the marketing mix for an international market is driven by:
(A) The desire to maintain a consistent global image at all costs.
(B) The presence of unique local needs and cultural nuances.
(C) The need to achieve maximum efficiency through economies of scale.
(D) A mandate from the firm's home country government.

Downloaded from www.pdf.tube

8. (D) Statement I is incorrect, but Statement II is correct.
Product standardization is not always the most profitable strategy because international markets often have unique cultural, legal, and economic requirements. While standardization offers cost efficiency, adapting products allows a firm to better align with local consumer preferences and environmental conditions. This adaptation is crucial for achieving market acceptance and competitiveness in diverse regions. Therefore, successful global marketing requires a careful balance between achieving economies of scale and meeting local needs.

9. (C) The Howard-Sheth Model
The Howard-Sheth model provides a comprehensive framework for understanding complex consumer behavior through a systems approach. It incorporates several stages including input stimuli, perceptual processes that filter information, and learning constructs that shape consumer attitudes. By mapping how these internal variables result in specific outputs like purchase intentions, the model explains the cognitive journey from initial exposure to the final selection of a brand or product.

10. (A) P-3, Q-1, R-2, S-4
Brand management involves several distinct concepts that define a company's market presence. Brand equity refers to the value added by brand knowledge, while extensions leverage existing names for new product categories. Loyalty describes a consumer's commitment to repurchasing a brand, and the name is the vocalized identifier. Together, these elements form a strategic framework that helps firms build strong identities, retain customers, and achieve long-term success.

11. (D) Form utility
Form utility refers to the value added to a product through the transformation of raw materials into finished goods. This process occurs during manufacturing or assembly, where physical components are combined to create something more useful to the consumer than the individual parts alone. By changing the shape, composition, or appearance of materials, businesses create products that satisfy specific customer needs, thereby increasing the overall market value.

12. (B) The gap between competitor pricing and the firm's pricing.
The SERVQUAL model identifies internal and external gaps that lead to poor service quality perceptions among customers. These include discrepancies between consumer expectations and management perceptions, or between service delivery and what is communicated externally. While pricing is a significant marketing factor, the model focuses specifically on the psychological and operational misalignments within the service delivery process rather than comparing price points with competitors in the broader market.

13. (C) Implementing a loyalty program that rewards repeat purchases.
Relationship building in customer relationship management focuses on fostering long-term engagement rather than isolated transactions. Implementing loyalty programs effectively encourages customers to return by offering tangible rewards for their continued patronage. This strategy helps businesses collect valuable data on buying habits while making customers feel valued. By incentivizing repeat business, companies can increase the lifetime value of their clientele and build a more stable, profitable market position.

14. (D) Convenience Store
A convenience store is a small retail business that stocks a range of everyday items such as groceries, snack foods, and toiletries. These outlets are typically located in easily accessible areas and remain open for long hours to serve customers who need quick purchases. Because they focus on high-turnover products and speed of service, they provide significant time utility to consumers who prioritize ease and proximity over large assortments.

15. (C) A is true but R is false.
Brand equity functions as a significant intangible asset that influences how a company is perceived and valued in the marketplace. While advertising plays a role in building this value, it is not the only factor. Real equity grows from a combination of high product quality, positive customer experiences, and consistent brand messaging. Relying solely on promotion without delivering actual value usually fails to sustain long-term equity or trust.

NODIA

ANSWERS

1. (B) The Economic Model
The economic model posits that consumers act as rational decision-makers who evaluate all available information to maximize their utility. This perspective suggests that individuals make logical choices based on price and product attributes to gain the most benefit from their purchases. By focusing on financial factors and logical reasoning, this model helps businesses understand how price changes and information availability influence the purchasing behavior of shoppers.

2. (A) Brands provide a means of identification to simplify handling and tracing products.
Brands serve as essential tools for identification that help companies simplify the complex tasks of handling and tracing products throughout the supply chain. By establishing a clear identity for each item, businesses can more easily manage inventory, monitor sales, and organize logistical movements. This organizational function ensures that products are properly categorized, allowing for efficient tracking from the point of manufacture to the hands of the final consumer.

3. (C) Facilities, Inventory, Transportation, and Information
The performance of any supply chain depends on four fundamental physical and logical drivers that dictate efficiency and responsiveness. Physical components include the specific locations where goods are stored or processed and the quantity of stock held at any time. Moving products between locations is managed through various modes of travel. Finally, the collection and analysis of data across these stages coordinate operations and ensure smooth flow.

4. (D) Physical Evidence
In the context of service delivery, physical evidence encompasses all tangible elements that customers observe during their experience. For a dining establishment, this includes the interior design, lighting, furniture, and the professional appearance of the staff. These cues provide sensory information that helps guests evaluate the quality of the intangible service provided. Managing these visible components effectively ensures a consistent brand image and improves overall customer perception.

5. (C) Short-term transactional sales
Customer Relationship Marketing prioritizes the establishment of long-term bonds between a business and its clientele rather than focusing on one-off purchases. The core objectives involve identifying valuable prospects, retaining them through superior service, and developing their potential over time. This approach emphasizes the cumulative value of a lasting partnership, whereas a strategy centered on immediate, isolated sales contradicts the fundamental principles of relationship-oriented marketing.

6. (B) The rise of organized retailing
The emergence of large retail chains indicates a significant shift toward organized retailing, characterized by professional management and standardized operations. Unlike traditional small-scale stores, these entities utilize advanced supply chain systems, modern technology, and centralized purchasing to offer a wide variety of goods. This trend reflects changing consumer lifestyles and the modernization of the retail sector, where large-scale operations provide enhanced shopping experiences and better value.

7. (D) Digital Marketing
Digital marketing serves as an umbrella term for promotional efforts conducted through electronic devices and the internet. By utilizing tools like search engine optimization, social media platforms, and email campaigns, businesses can reach targeted audiences with high precision. This modern approach allows for real-time interaction, measurable results, and personalized messaging. It distinguishes itself from traditional methods by leveraging digital technology to build brand awareness and drive consumer engagement.

Click Here to Buy book on Amazon

them before purchase, which elevates perceived risk. Consequently, managing service quality becomes paramount. Service quality is often judged on both the outcome (what is delivered) and the process (how it is delivered), making the management of customer-employee interactions critical. Marketing strategies for service firms must focus on creating tangible cues, managing customer expectations, and standardizing performance where possible to reduce variability. Branding plays a crucial role in this context. A strong brand for a service firm acts as a promise of a consistent quality level, helping to tangibilize the offering and build trust. Unlike a product brand that is attached to a physical item, a service brand is inextricably linked to the performance of the organization's employees and systems. Therefore, marketing strategies must be integrated with human resource management and operations to ensure that the brand promise is consistently delivered at every point of customer contact, thereby building a reputation for reliability and excellence.

Based on the above source, attempt the following five questions.

276. Which of the following is NOT listed in the passage as one of the inherent characteristics of services?
(A) Profitability.
(B) Intangibility.
(C) Inseparability.
(D) Perishability.

277. According to the text, why is managing service quality particularly paramount in service marketing?
(A) Because services are typically more expensive than tangible goods.
(B) Because services are immune to competition from other firms.
(C) Because the production of services is easily automated.
(D) Because the intangibility of services elevates the consumer's perceived risk.

278. The passage suggests that a strong brand for a service firm primarily helps to:
(A) Increase the physical durability of the service.
(B) Tangibilize the offering and build consumer trust.
(C) Lower the operational cost of service delivery.
(D) Eliminate the need for customer service employees.

279. What does the text imply is a key difference between a product brand and a service brand?
(A) A service brand is less important than a product brand.
(B) A product brand is for international markets, while a service brand is for domestic markets.
(C) A service brand is linked to employee performance, while a product brand is attached to an item.
(D) A product brand requires a logo, while a service brand does not.

NODIA

280. Marketing strategies for service firms must be integrated with which other functional areas to ensure the delivery of the brand promise?
(A) Finance and accounting.
(B) Legal and compliance.
(C) Research and development.
(D) Human resource management and operations.

Direction : Please read the following source carefully.

Customer Relationship Marketing (CRM) marks a strategic shift from a transactional focus to a relational perspective in marketing. Instead of concentrating on single, discrete sales, CRM is fundamentally concerned with the process of relationship building, aiming to establish, maintain, and enhance long-term, profitable connections with customers. The core of this approach lies in understanding that not all customers offer the same value to a firm. Therefore, effective CRM involves identifying and focusing on the most valuable customers to cultivate their loyalty. The strategies employed in CRM are diverse, ranging from loyalty programs and personalized communication to proactive customer service and community building. The central goal is to create superior customer value, which is the customer's perception of the balance between the benefits they receive and the costs they incur in the relationship. This value is co-created and evolves over time through a

16. (B) Licensing
Licensing is a strategic entry mode where a company allows a foreign partner to use its intellectual property in exchange for royalty payments. This arrangement permits the licensee to manufacture and sell products using the original firm's patents, trademarks, or technology. It provides a low-risk way for companies to expand globally without investing heavily in local production facilities, while leveraging the local partner's market knowledge and established distribution networks.

17. (B) Emotional motives are the primary drivers of industrial purchase decisions.
Industrial buying behavior is characterized by a rational and professional decision-making process involving multiple stakeholders within an organization. Unlike individual consumers who may be influenced by status or emotions, business buyers prioritize technical specifications, cost-efficiency, and long-term reliability. These decisions are driven by the organizational goals of improving productivity and profitability. Additionally, the demand for industrial goods is derived from the eventual demand for the consumer products they produce.

18. (B) (i), (ii), and (iv) only
Developing a successful branding strategy involves several critical steps aimed at building a strong market identity. This includes identifying the target audience to ensure the message is relevant and establishing a unique positioning that differentiates the product. Additionally, selecting appropriate brand elements like names and logos is vital for recognition. While cost management is important in business, minimizing all marketing expenditures is not a core branding objective and can hinder growth.

19. (C) Logistics Management
Logistics management is a specialized function within the supply chain that focuses on the physical movement and storage of goods. It involves the planning and implementation of systems to ensure that products travel efficiently from their point of origin to the final consumer. By coordinating transportation, warehousing, and inventory levels, logistics ensures that the right products are available at the right time and place to meet customer demand.

20. (D) Perishability
Perishability is a core characteristic of services that refers to the fact that they cannot be saved, stored, or returned for future use. For example, an empty hotel room or an unsold airline seat represents lost revenue that can never be recovered. This trait presents a significant challenge for service managers, who must implement strategies to balance demand and capacity, such as using differential pricing during peak hours.

21. (A) (i), (iii), (iv), (ii)
International market expansion involves choosing strategies that balance potential rewards with levels of investment and risk. Starting with low-risk methods like exporting allows a firm to test foreign markets with minimal commitment. Progressing to licensing involves contractual agreements, while joint ventures involve shared ownership with local partners. Establishing a wholly-owned subsidiary represents the highest level of control and financial risk, as the firm manages everything independently without local partners.

22. (B) Customer Lifetime Value (CLV)
Customer lifetime value is a metric that calculates the total net profit a company can expect to earn from a customer throughout their entire relationship. By understanding this value, businesses can make better decisions regarding how much to spend on acquiring new customers and retaining existing ones. It shifts the focus from short-term sales to the long-term profitability of maintaining a loyal clientele, which is essential for sustainable growth.

23. (D) Department Store
A department store is a large retail establishment that offers an extensive variety of goods across different product categories, such as clothing, electronics, and home furnishings. Each category is typically organized into separate departments managed by specialized staff. These stores often serve as anchor tenants in shopping malls, drawing in large numbers of shoppers and providing a comprehensive one-stop shopping experience for diverse consumer needs and preferences.

NODIA

300. The passage suggests that the choice of an entry mode depends on several factors. Which of the following is mentioned as a factor?

(A) The political and economic stability of the host country.

(B) The CEO's personal travel preferences.

(C) The primary language spoken in the firm's home office.

(D) The previous quarter's stock performance.

www.nodia.in

Downloaded from www.pdf.tube

32. (B) Greenfield Venture
A greenfield venture is an international market entry strategy where a company builds its own operations in a foreign country from the ground up. This includes constructing new facilities, hiring local staff, and establishing distribution networks independently. While this method requires a high level of capital investment and carries significant risk, it allows the parent company to maintain complete control over every aspect of the new business and its proprietary technology.

33. (B) Post-purchase Dissonance
The Engel-Kollat-Blackwell model outlines a systematic decision process beginning with problem recognition and followed by an active information search. Consumers then evaluate various alternatives before making a purchase decision, which leads to final post-purchase behavior and satisfaction levels. While cognitive dissonance is a recognized psychological phenomenon that occurs after a purchase, it is categorized as part of the broader post-purchase assessment stage rather than being a separate, standalone stage.

34. (B) P-3, Q-4, R-2, S-1
Sales force management encompasses a series of coordinated activities designed to optimize team performance. Designing the strategy involves defining the structure and compensation, while recruiting ensures the right candidates are hired. Training provides essential product knowledge and selling skills to the staff. Finally, motivating salespeople through incentives and quotas ensures they remain focused on achieving sales targets. These components work together to build a productive and highly effective sales organization.

35. (C) The effect of brand knowledge on customer response to marketing.
From a consumer perspective, brand equity represents the differential effect that knowledge about a brand has on an individual's reaction to its marketing efforts. When a brand has positive equity, customers react more favorably to its products, prices, and promotions compared to an unbranded or generic version. this value is built through repeated positive experiences and strong associations, which eventually lead to greater brand preference, loyalty, and resistance to competitors.

36. (D) The increasing variability of orders as one moves upstream.
The bullwhip effect describes a phenomenon in supply chain management where small fluctuations in consumer demand lead to increasingly large variations in orders at the wholesale, distributor, and manufacturer levels. This distortion often occurs due to lack of communication, lead times, and overreactions to market changes. It results in inefficiencies such as excessive inventory, increased costs, and poor customer service as each stage tries to buffer against perceived uncertainty.

37. (A) Both Statement I and Statement II are correct.
In service marketing, the process element encompasses the specific procedures and mechanisms through which a service is delivered to the customer. A well-designed delivery process ensures efficiency and consistency, which are vital for meeting consumer expectations. Because services are intangible and produced during consumption, the flow of activities significantly impacts the overall customer experience. Therefore, optimizing these processes serves as a powerful tool for differentiating a firm from its competitors.

38. (B) Customer retention
Customer retention strategies focus on keeping existing clients engaged and preventing them from switching to competitors. By offering exclusive benefits, loyalty programs, and early access to new products, companies reward their most valuable customers for their continued patronage. This approach is generally more cost-effective than acquiring new customers and helps build long-term profitability. Strengthening these bonds ensures a stable revenue stream and fosters positive brand advocacy among the current user base.

39. (C) A is true but R is false.
Direct marketing is a targeted strategy that allows companies to send personalized and customized messages to specific individuals. This approach relies on tools like direct mail, email, and telemarketing to reach people who have shown interest or meet specific criteria. Unlike

NODIA

can achieve more sustainable growth and reduce the costs of customer churn.

84. (D) Fast-food chains and service outlets
Franchising is a highly successful ownership format commonly used by fast-food chains and various service-oriented businesses. In this arrangement, a franchisor grants an independent operator the right to run a business using its proven brand, products, and operating systems. This allows the parent company to expand rapidly with limited capital investment, while the franchisee benefits from an established reputation and ongoing support. This model ensures consistency in quality and service across multiple locations, building strong global brand recognition.

85. (C) Direct marketing
Direct marketing involves communicating directly with a targeted list of potential or existing customers to elicit a specific response. Using mobile channels like SMS allows companies to deliver promotional offers instantly to individuals who have consented to receive them. This method is highly personal, cost-effective, and measurable, as marketers can track open rates and redemptions. By bypassing broad media channels, direct marketing ensures that messages reach interested audiences, making it a powerful tool for driving immediate sales and building relationships.

86. (B) Globalization vs. Localization dilemma.
The globalization versus localization dilemma is a central strategic challenge in international marketing. Companies must decide whether to standardize their marketing mix globally to achieve economies of scale or to adapt it to meet local cultural, legal, and economic needs. Standardization offers cost savings and a consistent brand image, while localization ensures better market acceptance and competitiveness. Finding the right balance between these two approaches is essential for firms looking to succeed across diverse and complex international markets.

87. (D) Market Segmentation
The personal selling process consists of several sequential stages designed to convert leads into customers. It typically begins with prospecting and the pre-approach, followed by the actual presentation and handling any objections the customer may have. The process concludes with closing the sale and following up to ensure satisfaction. While market segmentation is a vital part of the broader marketing strategy used to identify target groups, it is not a specific step within the interpersonal selling interaction between a salesperson and a client.

88. (A) (iii), (i), (iv), (ii)
Brand loyalty develops through several levels of increasing strength. It begins with "switchers," who have no loyalty and choose based on price. "Habitual buyers" purchase out of routine without strong emotional bonds. The next level includes "satisfied buyers" who have specific switching costs that keep them from leaving. The highest level is the "committed buyer," who has a deep emotional attachment to the brand and acts as a loyal advocate. Understanding these levels helps marketers develop strategies to move customers toward commitment.

89. (C) Safety stock
Safety stock is the additional inventory held by a business to mitigate the risks of stockouts caused by uncertainties in customer demand or supplier lead times. It acts as a buffer, ensuring that the company can continue to fulfill orders even when unexpected fluctuations occur. While holding safety stock increases carrying costs, it is essential for maintaining high customer service levels and preventing lost sales. Determining the optimal amount of safety stock requires balancing the costs of holding inventory against the risks.

90. (A) Using differential pricing to shift demand from peak to off-peak periods.
Because services cannot be stored, manage perishability is a major challenge for service firms. Differential pricing is a key strategy used to manage demand and capacity by offering lower prices during off-peak periods to encourage consumption. This helps fill unused capacity, such as hotel rooms or airline seats, that would otherwise represent lost revenue. By shifting demand away from busy times, companies can also improve service quality and reduce wait times for customers during peak periods, optimizing overall operational efficiency.

Click Here to Buy book on Amazon

category. These new offerings typically involve different flavors, colors, sizes, or ingredients, such as a coffee brand launching "Gold" or "Classic" variants. This strategy leverages existing brand awareness and consumer trust to reach different market segments with minimal risk. It allows the firm to offer more variety without the high costs of creating a new brand.

48. (B) Identifying qualified potential customers.
Prospecting is the initial step in the personal selling process, focusing on identifying and qualifying potential customers who are likely to benefit from the company's offerings. Salespeople use various sources, such as referrals, trade directories, and social media, to find leads. Once identified, these leads are screened to ensure they have the financial capacity and authority to make a purchase. This stage is crucial for ensuring that the sales team spends its time effectively.

49. (B) Any instance where a customer interacts with the service firm and forms an impression.
In service marketing, a 'moment of truth' is any touchpoint where a customer interacts with the firm and its employees. These encounters, whether face-to-face, over the phone, or online, are critical because they shape the customer's perception of service quality. Each interaction is an opportunity for the firm to either satisfy or disappoint the client. Managing these moments effectively is essential for building trust, ensuring satisfaction, and fostering long-term brand loyalty among consumers.

50. (B) (i), (ii), and (iii) only
Retail outlets can be classified by their ownership structure, which significantly influences their management and operations. Independent retailers are single-store businesses owned by individuals, while corporate chains consist of multiple outlets under central ownership. Retailer cooperatives are groups of independent businesses that unite to gain shared benefits like bulk purchasing. While online marketplaces are important retail channels, they are defined by their digital platform rather than being a recognized physical ownership format in traditional retail.

NODIA

51. (C) e-Marketing
E-marketing involves using internet-based technologies to reach consumers and achieve marketing objectives. QR codes are a common tool in this category, as they allow shoppers to scan a physical code with their smartphone to instantly access digital content, such as product details or promotional videos. This bridge between the physical and digital worlds enhances the customer experience by providing immediate information. It represents the integration of mobile technology into modern marketing and sales strategies.

52. (D) Companies joining to create a new business entity in a foreign market.
A joint venture is a collaborative international market entry mode where two or more companies partner to create a new, jointly-owned business entity. This arrangement allows firms to share financial resources, risks, and management responsibilities. Typically, a foreign company partners with a local firm to gain access to local market knowledge and distribution networks. This shared approach helps both parties achieve common goals while navigating the complexities and regulations of a foreign business environment.

53. (C) The set of human characteristics associated with a brand.
Brand personality refers to the specific human traits and characteristics that consumers associate with a brand. Just like people, brands can be perceived as being adventurous, sophisticated, reliable, or youthful. These traits help consumers relate to the brand on an emotional level and allow companies to differentiate themselves from competitors. By consistently projecting a particular personality through advertising and design, a brand can build a deeper connection with its target audience.

54. (B) To design and implement effective sales strategies to achieve organizational goals.
Sales force management focuses on building and maintaining a professional team that can effectively communicate value to customers and generate revenue. The primary objective is to design and implement strategies that align with the company's broader marketing and financial goals. This involves recruiting the right people, providing them with necessary training, and

98. (A) The service provider is part of the service itself, and it is produced and consumed simultaneously. Inseparability is a fundamental characteristic of services, meaning that the service cannot be separated from the person providing it. Production and consumption happen at the same time, often requiring the customer to be physically present during the delivery. Because the service provider is an integral part of the experience, their behavior and expertise directly affect the perceived quality. This characteristic emphasizes the importance of managing the customer-employee interaction to ensure satisfaction, as the service does not exist without this involvement.

99. (C) Deeper understanding of customer needs and behaviors.
A successful CRM strategy provides immense value by allowing a company to develop a deeper understanding of its customers' specific needs and buying behaviors. By collecting and analyzing data from multiple touchpoints, businesses can identify patterns and preferences that were previously hidden. This insight enables the firm to tailor its offerings, personalize communications, and anticipate future demands. Moving beyond generic marketing toward data-driven insights helps build stronger, more profitable relationships and ensures that resources are allocated to the most valuable customers.

100. (D) Retail positioning strategy
A retail positioning strategy involves making critical decisions about how a store will compete in the marketplace. This includes selecting the store's size, its specific geographic location, and the unique mix of merchandise it carries. These elements work together to create a distinct identity in the minds of consumers. By effectively positioning themselves, retailers can attract their target audience and differentiate their store from competitors, ensuring they provide the right value proposition to meet specific customer needs and preferences.

101. (C) Television advertising during a primetime show
Direct marketing focuses on establishing a one-to-one connection with individual customers through channels like direct mail, telemarketing, and interactive kiosks. These methods allow for personalized messaging and aim to elicit an immediate, measurable response. In contrast, standard television advertising is a form of mass marketing intended to reach a broad, undifferentiated audience simultaneously. While TV ads build brand awareness, they lack the specific individual targeting and direct call-to-action mechanism that defines the core of direct marketing strategies.

102. (A) Polycentric approach
A polycentric approach to international marketing views each foreign country as a unique market that requires its own tailored marketing mix. Companies following this philosophy decentralize their decision-making, allowing local subsidiaries to develop products and promotions that suit local tastes and regulations. While this strategy increases costs due to the lack of standardization, it maximizes local market acceptance and competitiveness. By treating each nation as distinct, the firm can build deeper connections with local consumers and better navigate regional complexities.

103. (A) Statement I and Statement II are both logically correct.
Industrial buying behavior is inherently more complex than consumer buying because it involves professional buyers and multiple organizational stakeholders. These decisions are highly formalized and must meet specific technical and financial criteria. Furthermore, the demand for industrial goods is not independent; it is derived from the eventual demand for consumer products. Understanding this relationship is vital for business marketers, as changes in consumer markets will inevitably impact the orders they receive from their industrial and organizational clients throughout the chain.

104. (C) (i), (ii), (iii), and (v)
The Brand Resonance Pyramid provides a framework for building strong brand equity through four sequential levels. It begins with salience to ensure customers recognize the brand. Next, it focuses on performance and imagery to establish brand meaning. The third level involves eliciting positive judgments and feelings from the audience. Finally, the pyramid culminates in brand resonance, which represents the deep psychological bond between the customer and the brand. Price and distribution are marketing

Downloaded from www.pdf.tube

for improvement and ensure better customer satisfaction.

62. (D) Brand Awareness
Brand awareness is a fundamental component of brand equity that indicates how strongly a brand name is recognized by consumers. It represents the brand's presence in the consumer's mind and is often the first step in the purchase decision process. Awareness can range from simple recognition of a logo to top-of-mind recall when a product category is mentioned. A high level of awareness makes a brand more likely to be included in the consumer's consideration set.

63. (A) Territorial sales force structure.
A territorial sales force structure assigns each salesperson to a specific, exclusive geographic area. Within this territory, the salesperson is responsible for selling the company's entire product line to all potential customers. This structure is efficient because it minimizes travel time and travel expenses, while also allowing the salesperson to build strong, localized relationships with their clients. It provides clear accountability for performance within the assigned region and simplifies the management of the overall sales team.

64. (B) P-3, Q-1, R-4, S-2
Retail formats are distinguished by their specific characteristics such as product assortment and store size. Supermarkets are large, self-service operations focused on high-volume groceries. Specialty stores offer a narrow but deep assortment in a specific category. Category killers are giant specialty stores that dominate a particular market. Hypermarkets are massive outlets that combine the features of a supermarket and a discount store, providing a one-stop shopping experience for diverse food and general merchandise needs.

65. (B) It encompasses consumer thoughts, feelings, and actions throughout a purchase.
Consumer buying behavior is a complex process that involves much more than the final act of purchasing a product. it includes the psychological and social factors that influence how individuals search for, select, use, and dispose of goods. This behavior is shaped by internal thoughts and feelings, as well as external influences like culture, family, and peer groups. Understanding this entire journey is essential for marketers to develop effective strategies that resonate with their target audience.

66. (A) Category Extension
A category extension occurs when a company leverages its existing brand name to enter a completely different product category from its original business. This strategy allows a firm to use the trust and awareness built in one market to gain a foothold in a new one. By using a familiar name, the company can reduce the marketing costs and risks associated with launching a new brand. Successful extensions can strengthen the overall brand image and increase revenue.

67. (C) Improved responsiveness to customer demand and market changes.
Effective supply chain management provides a significant competitive advantage by enhancing a firm's ability to respond quickly to market changes and customer needs. By coordinating the flow of goods and information across all stages, SCM helps reduce lead times and optimize inventory levels. This responsiveness ensures that products are available when and where they are needed, improving customer satisfaction. Additionally, an efficient supply chain lowers operational costs, allowing the company to remain competitive in a dynamic environment.

NODIA

68. (C) (i), (ii), and (iii) only
Service firms must implement specific management strategies to remain competitive and successful. Managing differentiation involves creating unique service features that stand out in the marketplace. Managing service quality ensures that delivery consistently meets or exceeds customer expectations. Additionally, managing productivity is essential for maintaining profitability in a labor-intensive industry. Since employees are central to service delivery, their role is critical. These strategies help service organizations navigate the challenges of intangibility, variability, and perishability.

69. (C) Customer Differentiation
Customer differentiation is a key process in relationship management that involves categorizing customers into groups based on their specific needs and their value to the company. By understanding that not all customers are the

mass marketing, which uses broad channels like television to reach a general audience, direct marketing seeks an immediate and measurable response from a carefully selected group of potential customers.

40. (A) Automatic Vending Machine
Non-store retailing involves the sale of products through channels that do not require a traditional physical storefront. Automatic vending machines are a prime example, providing customers with convenient access to goods in various locations like airports or office buildings. Other forms include online shopping, direct mail, and telemarketing. In contrast, supermarkets, department stores, and hypermarkets are store-based formats where consumers physically visit a retail location to browse and purchase merchandise.

41. (C) It should be memorable, distinctive, and have positive connotations.
Selecting an effective brand name is crucial for building a strong identity and ensuring long-term market success. A good name should be easy to pronounce, recognize, and remember while being distinctive enough to stand out from competitors. It should also evoke positive associations and suggest something about the product's benefits or qualities. Avoiding overly complex or negative words helps ensure that the brand resonates well with the target audience across various cultures.

42. (A) Supply Chain Network Design
Supply chain network design involves strategic decisions regarding the physical structure of the supply chain. This includes determining the optimal number, size, and location of manufacturing plants and warehouses. These decisions are critical as they influence the overall flow of goods and impact both transportation costs and customer service levels. By effectively allocating production and storage capacity to these facilities, a company can maximize its operational efficiency and market responsiveness.

43. (A) (i), (ii), and (iii)
Service marketing requires specialized strategies to address the unique characteristics of services. Because services are intangible, firms often provide physical cues to make the experience more tangible for customers. The inseparability of production and consumption means that the interaction between employees and customers is vital for quality. Additionally, since services cannot be stored, managers must implement demand and capacity strategies. The 7Ps framework remains highly relevant for guiding these complex service operations.

44. (B) Proactive marketing
Proactive marketing in customer relationship management involves reaching out to customers on a regular basis to provide updates or gather feedback. This level of relationship building focuses on creating social bonds through personalized and individualized interactions. By taking the initiative to contact customers, companies show that they value the relationship beyond the immediate sale. This approach helps identify potential issues early and allows for the customization of future offers to better suit customer needs.

45. (C) Ethnocentric pricing
Ethnocentric pricing, also known as extension pricing, occurs when a company sets a uniform price for its product across all global markets. This standardized approach ignores local market conditions, such as competition, purchasing power, and currency fluctuations. While it is simple to manage and ensures a consistent global brand image, it can lead to decreased competitiveness in lower-income regions. Companies using this strategy prioritize central control over the flexibility needed to respond to local variations.

46. (D) Habitual buying behaviour
Habitual buying behavior occurs when consumers purchase low-involvement products that they use frequently with very little thought or research. In these cases, there is often little perceived difference between brands, and the purchase is made out of habit or convenience rather than brand loyalty. For items like salt or flour, consumers do not spend time evaluating alternatives. Instead, they simply pick the same brand they have used before or the one most easily available.

47. (A) Line Extension
A line extension occurs when a company uses its existing, well-established brand name to introduce new items within the same product

Click Here to Buy book on Amazon

value without compromising on quality across various household and grocery categories.

77. (C) Search Engine Optimization (SEO)
Search engine optimization is the practice of enhancing a website's visibility within the organic, or unpaid, results of search engines. By optimizing content, technical structure, and authority, businesses can achieve higher rankings for relevant keywords. This strategy is essential for driving sustainable web traffic and reaching potential customers who are actively searching for specific information or products. Unlike paid advertising, SEO focuses on long-term visibility and building credibility through high-quality, relevant content that satisfies search engine algorithms.

78. (D) Joint Venture
A joint venture allows for rapid entry into a foreign market by partnering with an established local firm. This arrangement provides the entering company with immediate access to local market knowledge, distribution channels, and political connections. While this sharing of resources and risks is beneficial, it also introduces the potential for conflicts over management decisions or profit distribution. Despite these risks, joint ventures remain a popular choice for firms looking to establish a significant presence in complex international markets.

79. (A) The consumer's psychological makeup, including motives, attitudes, and perception.
In the Howard-Sheth model, learning constructs represent the internal psychological variables that dictate how a consumer processes information and makes decisions. These include motives, which drive behavior, and attitudes, which reflect the consumer's feelings toward a brand. Perception is also critical, as it determines how input stimuli are interpreted. Together, these constructs explain the internal cognitive changes that occur within an individual before they arrive at a purchase decision, helping marketers understand the "black box" of consumer behavior.

80. (B) The added value endowed to a product or service for consumers.
Brand equity is the intangible value that a brand name adds to a product or service, beyond its basic functional benefits. This value is created through consistent marketing efforts that build awareness, positive associations, and loyalty among consumers. Strong brand equity allows a company to charge premium prices and maintain higher margins. It also provides a competitive advantage by making customers more likely to choose and stick with the brand over lesser-known or generic alternatives in the marketplace.

81. (B) Cross-docking to speed up the flow of goods.
Cross-docking is a value-creating activity in a supply chain where goods are unloaded from incoming vehicles and directly loaded into outbound vehicles with minimal storage time. This process reduces inventory holding costs and speeds up the delivery of products to customers. By eliminating unnecessary steps in the warehousing process, cross-docking improves operational efficiency and responsiveness. It is a key strategy for companies looking to streamline their logistics operations and provide faster service in high-volume distribution environments.

82. (A) A service brand's image is independent of the customer experience.
For service brands, the image is deeply intertwined with the customer's actual experience during the service encounter. Unlike physical products where branding can be separated from use, service quality is determined through direct interaction. Employees, the physical environment, and the consistency of delivery all play vital roles in shaping the brand's reputation. A positive experience builds trust and loyalty, while a single poor interaction can damage the brand image significantly. Therefore, managing every touchpoint is essential for strong service branding.

83. (C) A is true but R is false.
Customer Relationship Marketing is a strategic management approach focused on identifying, acquiring, and retaining profitable customers through long-term engagement. Its primary goal is to build deep relationships that increase customer loyalty and lifetime value. Contrary to the idea of simply increasing advertising spend, CRM focuses on using data and personalized interactions to serve customers better. By shifting from a transactional to a relational focus, firms

Downloaded from www.pdf.tube

same, businesses can prioritize their efforts and resources toward the most profitable segments. This classification allows the firm to develop targeted marketing strategies and personalized service offerings. Differentiation is the foundation for creating meaningful interactions and delivering customized experiences to each group.

70. (B) e-Marketing
E-marketing refers to the use of the internet and digital communication technologies to achieve marketing goals and reach customers. It encompasses various activities such as website management, online advertising, and search engine strategies. This approach allows businesses to interact with global audiences in real-time, provide personalized content, and gather valuable data on consumer behavior. By leveraging digital channels, companies can improve brand visibility, drive sales, and build stronger relationships with their customers in an increasingly connected world.

71. (D) Dual adaptation strategy
A dual adaptation strategy in international marketing involves modifying both the product and the promotional message to fit the specific needs and preferences of each foreign market. This approach recognizes that cultural differences, legal requirements, and consumer habits vary significantly across countries. While this strategy is more expensive and complex than standardization, it maximizes local market acceptance. By tailoring the entire marketing offering, companies can better resonate with local audiences and build a more competitive global presence.

72. (A) Culture
Consumer buying behavior is influenced by several personal factors such as age, occupation, lifestyle, and life-cycle stage. These elements reflect an individual's unique situation and personality. While culture is a fundamental driver of behavior, it is categorized as a broad social and environmental influence rather than a specific personal factor. Culture shapes values and beliefs at a group level, whereas personal factors focus on the individual characteristics that dictate how a person interacts with the marketplace.

73. (C) Sales force objectives, strategy, structure, size, and compensation.
Designing a sales force involves making critical decisions that determine the effectiveness of the entire sales organization. Managers must first establish clear objectives and develop a strategy to achieve them. This includes deciding on the structure, such as whether to organize by territory or product. Determining the appropriate size of the team and creating a fair compensation plan are also vital. These decisions ensure the sales force is properly aligned with the company's broader marketing and financial goals.

74. (A) The firm's employees who deliver the service and interact with customers.
In the extended marketing mix for services, the 'people' component refers to all human actors who play a part in service delivery. This primarily includes the firm's employees, who are the face of the organization and directly interact with customers. Their attitude, expertise, and behavior significantly impact the customer's perception of service quality. Training and motivating staff is therefore essential for service firms, as the quality of the service is inseparable from the people who provide it.

75. (B) (i), (ii), and (iii)
Strong customer relationships provide multiple strategic advantages including increased retention rates and higher lifetime value for each individual client. Loyal customers often engage in positive word-of-mouth promotion, which serves as a credible form of marketing for the business. By focusing on long-term satisfaction rather than isolated sales, companies can build a stable revenue base and reduce the need for constant, expensive acquisition efforts while maintaining high quality standards.

76. (B) Private Labeling
Private labeling is a retail trend where stores create and market their own brands of products, which are sold exclusively in their outlets. This strategy allows retailers to offer lower-priced alternatives to national brands while maintaining higher profit margins. By controlling the production and marketing of these goods, retailers can build store loyalty and differentiate themselves from competitors. Private labels have grown significantly as consumers increasingly seek

NODIA

91. (D) 80% of profits come from 20% of customers.
The 80/20 rule, or Pareto Principle, is a vital concept in CRM that suggests a small minority of customers often generate the majority of a company's total profits. By identifying this high-value 20% segment, businesses can focus their marketing efforts and resources on retaining and further developing these critical relationships. This strategic focus ensures that the firm prioritizes its most profitable accounts, leading to more efficient resource allocation and sustainable growth while providing superior service to those who matter most.

92. (B) (i), (iii), and (iv) only
The retail sector in India is expanding rapidly due to several key economic and social drivers. Rising disposable incomes and changing consumer lifestyles have increased demand for diverse goods and modern shopping experiences. Furthermore, the greater availability of consumer credit has empowered shoppers to make larger purchases. Favorable government policies and increased foreign investment have also provided the necessary capital and expertise for modern retail development. Conversely, the young working population is actually growing, which further fuels this market expansion.

93. (C) Content Marketing - Creating valuable content for audiences.
Content marketing is a strategic digital marketing approach focused on creating and distributing valuable, relevant, and consistent content to attract and retain a clearly defined audience. Unlike traditional advertising that pushes promotional messages, content marketing aims to build trust and authority by providing information that solves problems or entertains. By delivering value first, businesses can foster deeper connections with potential customers, which ultimately drives profitable customer action and builds long-term brand loyalty in an increasingly crowded digital landscape.

94. (D) Ethnocentric
An ethnocentric orientation occurs when a company views its domestic market as superior and treats all foreign markets as secondary extensions. In this approach, the firm typically keeps its marketing mix standardized across borders, assuming that what works at home will also work abroad. While this strategy offers simplicity and cost savings in production, it often fails to account for important local differences in consumer behavior and culture. This can lead to decreased competitiveness and missed opportunities in more diverse international environments.

95. (B) P-4, Q-1, R-2, S-3
Consumer behavior is shaped by various psychological and social concepts. Cognitive dissonance refers to the post-purchase discomfort buyers feel when they have conflicting thoughts about their choice. Reference groups are those whose perspectives serve as a basis for an individual's judgments. Selective distortion is the tendency of people to interpret information in ways that support their existing beliefs. Finally, subcultures are groups within a society that share specific value systems based on common life experiences and heritage.

96. (B) To simplify the product identification and purchase decision.
For consumers, a primary role of a brand is to provide a mental shortcut that simplifies the product identification and purchase decision process. Brands act as signals of quality and consistency, reducing the perceived risk of a purchase. By recognizing a trusted brand, shoppers can quickly make choices without having to evaluate every alternative in detail. This saves time and provides peace of mind, as consumers associate specific brand names with predictable levels of performance and satisfaction based on past experiences.

97. (B) Information
Information is a critical driver in supply chain management as it coordinates the two-way flow of products, finances, and data between all partners. Without accurate and timely information, other drivers like inventory and transportation cannot be managed effectively. It allows firms to forecast demand, track shipments, and manage payments across the entire network. By ensuring that all parties have access to the same data, information reduces uncertainty and enables more responsive and efficient operations throughout the entire supply chain.

Click Here to Buy book on Amazon

motivating them through appropriate incentives. By managing the sales team efficiently, organizations can build strong customer relationships and achieve sustainable market growth.

55. (A) (iii), (ii), (iv), (i), (v)
The consumer decision-making process follows a logical sequence starting with the recognition of an unmet need or problem. Once identified, the individual searches for relevant information and evaluates various alternatives based on specific criteria. This stage leads to the actual purchase decision where the consumer selects a product. Finally, post-purchase behavior occurs as the individual assesses their satisfaction, which significantly influences future buying intentions and their overall loyalty to the chosen brand.

56. (A) Logistics focuses on flow and storage, while SCM includes managing relationships.
Logistics is a specialized function that primarily deals with the physical flow and storage of goods from one point to another. In contrast, supply chain management is a broader concept that integrates logistics with other key business processes, such as sourcing, production, and customer service. Most importantly, SCM focuses on building and managing relationships with suppliers, intermediaries, and customers. It seeks to optimize the entire network to create maximum value and competitive advantage for all parties.

57. (D) Statement I is incorrect, but Statement II is correct.
Successful customer relationship management is far more than just a technological tool or software package. It is a comprehensive strategy that requires integrating people, processes, and technology across the entire organization. The goal is to manage the customer lifecycle effectively to build long-term, profitable relationships. While technology provides the necessary data and tools, the success of a CRM initiative depends on strategic thinking and a customer-centric culture that prioritizes personalized engagement and superior service.

58. (A) Discount Store
A discount store is a retail format that focuses on selling merchandise at lower prices than traditional retail outlets. These stores achieve profitability through high sales volume, high inventory turnover, and a low-cost operating structure. By offering a wide range of national brands at competitive price points, they appeal to price-sensitive consumers. This model relies on efficient supply chain management and standardized operations to maintain low margins while serving a large customer base looking for value.

59. (D) Greenwashing
Greenwashing is the unethical practice where companies make false or exaggerated claims about the environmental benefits of their products or services. This deceptive marketing strategy aims to appeal to eco-conscious consumers without making any real improvements to the company's environmental impact. It can involve using misleading labels, vague language, or focusing on one small "green" feature while ignoring broader ecological damage. This practice undermines consumer trust and can lead to significant legal and reputational consequences.

60. (B) High level of capital investment and risk.
Establishing a wholly-owned subsidiary is the most resource-intensive international market entry mode, as it requires a firm to fund all operations independently. This includes building facilities, hiring a local workforce, and managing all distribution channels from the ground up. Because of the massive capital investment, the firm faces significant financial risk if the market venture fails. However, this high commitment provides the parent company with full control over operations and the greatest potential for long-term profit.

61. (A) Both A and R are true and R is the correct explanation of A.
Managing service quality is notoriously difficult because services are intangible and produced at the same time they are consumed. This makes it impossible to check quality before the customer experiences it. The SERVQUAL model addresses this challenge by providing a structured framework for measuring quality. It compares what customers expect from a service with their actual perceptions of the delivery. By identifying these gaps, managers can pinpoint specific areas

NODIA

mix elements rather than core psychological building blocks.

105. (D) Determining the optimal number of salespeople for the company.
Motivating a sales force involves creating an environment where salespeople feel encouraged to achieve their targets. This is done by fostering a positive organizational climate and using sales quotas as performance standards. Additionally, managers provide honors and awards as positive incentives for success. While determining the size of the sales force is a critical strategic decision in sales force design, it is an administrative task related to resource allocation rather than a direct psychological technique used to motivate individual team members.

106. (C) To provide tangible cues for service evaluation.
Since services are intangible and cannot be seen or felt before they are purchased, consumers often look for physical cues to evaluate their quality. Managing 'Physical Evidence' involves designing the environment where the service is delivered and creating tangible items like brochures or professional business cards. These visible elements help reduce customer uncertainty and build trust in the brand. By providing a clean, professional, and consistent physical setting, service firms can significantly enhance their image and customer perceptions of quality.

107. (C) Customize
The core process of customer relationship management consists of four critical steps designed to build lasting value. It begins with identifying individual customers and then differentiating them based on their value and needs. Next, the company interacts with these customers to build deeper knowledge of their preferences. Finally, the firm must customize its products and communications to provide a personalized experience. This tailored approach ensures that the most valuable customers receive superior service, which fosters loyalty and maximizes profitability.

108. (C) Specialty Store
A specialty store is a retail format that focuses on a narrow product category, such as books, electronics, or sporting goods. While the range of categories is limited, these stores provide a very deep assortment within their chosen field. Customers visit specialty stores because they offer expertise, personalized service, and a wider selection of specific items than general retailers. By dominating a niche market, these stores attract hobbyists and enthusiasts who are looking for specialized knowledge and high-quality products.

109. (A) Both A and R are true and R is the correct explanation of A.
Green marketing is the practice of promoting products and services based on their environmental benefits, such as reduced carbon footprint or recyclable materials. This strategy is highly effective because it appeals to the growing segment of environmentally conscious consumers. By positioning itself as a sustainable and socially responsible organization, a firm can differentiate its offerings from competitors. This not only helps the environment but also builds brand trust and provides a competitive advantage in a market where sustainability is increasingly valued.

110. (B) Franchising
Franchising is a contractual agreement that allows an independent operator to use a parent company's successful business model and brand name. In exchange for fees and royalties, the franchisee receives training, marketing support, and the rights to sell the company's products in a specific territory. This model allows the parent company to expand rapidly across different regions with minimal capital investment. It is a common strategy in the service and retail industries, ensuring consistent quality and brand identity globally.

111. (B) Flowchart or feedback loop
The Nicosia model of consumer behavior is distinguished by its structure as a complex flowchart or feedback loop. It focuses on the relationship between the firm's marketing messages and the consumer's reaction. The model is organized into four distinct fields, starting with the firm's attributes and the consumer's psychological state. It then moves through information search and evaluation before reaching the purchase decision. Finally, the experience provides feedback that influences

Downloaded from www.pdf.tube

managers can provide financial incentives that motivate salespeople to achieve specific company objectives. A well-structured plan helps attract and retain top talent while ensuring that the team's efforts are aligned with the firm's broader marketing and financial goals. This administrative function is essential for building a productive and focused sales organization that can successfully communicate value and build lasting relationships with its target clientele.

167. (A) Use tangible cues like a clean office or a professional-looking website.
Because services are intangible and cannot be seen or touched before they are purchased, consumers often look for physical evidence to judge quality. Service marketers manage this challenge by using tangible cues, such as professional-looking offices, well-designed websites, and organized documentation. These visible elements provide sensory information that helps reduce customer uncertainty and build trust in the service brand. By creating a professional and consistent physical environment, firms can effectively project an image of quality and reliability, making the intangible service experience more concrete for the customer.

168. (B) Customer Value
The primary goal of customer relationship management is to build and maintain profitable long-term relationships by consistently delivering superior value to customers. This goes beyond just providing a quality product to include the entire experience and the psychological benefits of the relationship. By understanding individual needs and preferences through data, companies can personalize their offerings and provide solutions that exceed expectations. Delivering high value leads to increased satisfaction, which in turn fosters loyalty and maximizes the total lifetime profitability of each customer for the business.

169. (C) Unorganized retail sector
The unorganized retail sector consists of small, family-owned neighborhood stores, such as traditional grocery outlets or 'kirana' shops. These businesses are typically owner-manned and lack the advanced technology and standardized supply chain systems found in large corporate chains. While individual stores are small, the unorganized sector remains a dominant force in many markets due to its proximity and the personalized relationships owners build with their customers. Despite the growth of modern organized retail, these traditional outlets continue to play a vital role in local commerce and consumer access.

170. (C) Statement I is correct, but Statement II is incorrect.
Direct marketing is a highly targeted strategy that seeks an immediate and measurable response from specific individuals or households. It uses personalized communication channels like direct mail or email to reach a carefully selected audience based on their past behavior or demographic profile. Contrary to being a mass communication tool, the hallmark of direct marketing is its precision and the ability to track the effectiveness of each message. This approach allows businesses to bypass general media and establish a direct connection that encourages specific actions from potential customers.

171. (C) Straight product extension
A straight product extension is an international marketing strategy where a company introduces its products into a foreign market without making any changes to the physical product or the promotional messaging. This approach is based on the assumption that the product will satisfy the same consumer needs in the host country as it does at home. While this is the simplest and most cost-effective way to expand globally, its success depends on the product having universal appeal and not being hindered by local cultural, legal, or environmental differences.

172. (D) Brand Equity
Supply chain performance is primarily driven by four key operational and physical components: facilities, inventory, transportation, and information. These drivers dictate how efficiently and responsively the network functions. Facilities are the locations where goods are stored or processed, while inventory refers to the amount of stock held. Transportation covers the movement of goods between locations, and information coordinates the entire flow. While brand equity is a vital marketing asset that creates value in the consumer's mind, it is not a direct operational driver of the physical supply chain system.

NODIA

increasing the chances of market success. While more costly than standardization, adaptation is essential for overcoming barriers to entry and meeting local regulations.

119. (B) (i), (ii), (iii), and (v) only.
The personal selling process is a structured sequence of interpersonal steps aimed at successfully completing a sale. It starts with prospecting and qualifying potential leads, followed by the pre-approach where the salesperson researches the client. During the interaction, the salesperson must skillfully handle objections to address customer concerns before finally closing the sale. This process is focused on direct, one-to-one communication and relationship building, whereas mass advertising is a broad promotional tool used for reaching large, undifferentiated audiences.

120. (B) Committed Buyer
A committed buyer represents the highest level of brand loyalty, characterized by a deep emotional attachment and strong psychological bond with a brand. These individuals are proud to use the product and often act as vocal advocates, recommending it to friends and family. Because of their intense loyalty, they are less sensitive to price increases and more likely to resist competitive marketing efforts. Building a base of committed buyers is the ultimate goal of branding, as it provides sustainable long-term value.

121. (B) Deciding on the number and location of warehouses.
Strategic supply chain decisions involve long-term planning and have a lasting impact on the firm's competitive position. Deciding on the optimal number and geographic location of warehouses is a prime example, as this physical structure determines the efficiency of distribution and the level of customer service provided. These decisions are difficult and expensive to change once implemented. Unlike daily operational tasks like scheduling shipments, strategic network design sets the foundation for how the entire supply chain will function for several years.

122. (B) (iii), (ii), (i), (iv), (v)
Developing a successful branding strategy requires a systematic approach beginning with a thorough analysis of the market environment. This research informs the definition of a unique brand positioning that distinguishes the offering from competitors. Once positioned, the physical identity including the name and logo is designed to reflect this stance. The process continues with a formal launch and communication efforts, followed by ongoing monitoring to manage equity. This structured sequence ensures the brand remains relevant and valuable over its entire lifecycle.

123. (B) A deeply held commitment to repurchase a brand.
Brand loyalty is defined as a deeply held psychological commitment by a consumer to consistently repurchase a preferred product or service in the future. This behavior persists despite competitive marketing efforts or situational changes that might otherwise cause the customer to switch. True loyalty goes beyond mere repeat buying; it involves a positive attitude and emotional attachment toward the brand. This commitment is highly valuable for companies, as it ensures a stable revenue stream and reduces the costs of customer acquisition.

124. (B) Motivate salespeople and direct their activities towards achieving company objectives.
The primary purpose of a sales force compensation plan is to provide financial and non-financial incentives that motivate salespeople to achieve specific company goals. By carefully balancing salary, commissions, and bonuses, firms can direct their team's efforts toward activities like acquiring new accounts or selling high-margin products. A well-designed plan ensures that the interests of the individual salesperson are aligned with the strategic objectives of the organization, leading to improved overall sales performance and greater long-term profitability.

125. (C) The flow of activities, procedures, and mechanisms by which a service is delivered.
In service marketing, the 'process' element refers to the specific procedures and activities through which a service is created and delivered to the customer. This includes everything from the initial customer inquiry to the final delivery and follow-up. Because services are intangible and produced during consumption, the efficiency and quality of the process significantly influence

Click Here to Buy book on Amazon

both the firm's future strategies and the consumer's future behavior.

112. (B) Switcher
A switcher represents the most basic level of brand loyalty where a customer has no emotional or psychological attachment to any particular brand. These consumers are primarily driven by convenience or price and will easily change brands if they find a better deal or a more accessible option. For companies, switchers are unpredictable and expensive to maintain, as they require constant promotional incentives to choose their product. They do not provide the stable long-term revenue that committed or loyal customers offer.

113. (C) Which mode of transport (e.g., air, truck, rail) to use for shipments.
Transportation decisions are a vital component of supply chain management, as they determine how goods move between different locations. Managers must select the most appropriate mode of transport based on factors such as speed, cost, and the nature of the products. For example, perishable items may require fast air transport, while bulky raw materials are better suited for rail or sea. These choices directly impact the overall lead time, shipping costs, and customer service levels of the entire network.

114. (C) A service quality gap
A service quality gap occurs when there is a significant discrepancy between what a customer expects from a service and their actual perception of the delivery. This gap indicates that the service firm has failed to meet the customer's standards, leading to dissatisfaction. Identifying and closing these gaps is essential for maintaining a positive brand reputation and ensuring long-term success. By analyzing where the service fell short, managers can implement improvements in training, processes, or communication to better align with customer expectations.

115. (A) To increase customer defection rates.
The primary goal of a well-implemented CRM strategy is to build long-term, profitable relationships with customers by improving retention and satisfaction. By understanding customer needs, firms can maximize the profitability of each individual and acquire new profitable segments more efficiently. Conversely, increasing customer defection rates, where clients leave for competitors, is a major failure that CRM aims to prevent. Successful companies focus on reducing churn and building loyalty to ensure a stable and growing revenue stream over time.

116. (B) E-commerce platforms
E-commerce platforms have experienced explosive growth in recent years, driven by widespread internet access and the ubiquity of smartphones. These digital retail channels allow consumers to browse and purchase products from anywhere at any time, providing unmatched convenience. The ability to compare prices easily and access a vast global assortment of goods has transformed traditional shopping habits. As technology continues to evolve and logistics networks become more efficient, online retailing continues to expand and reshape the global retail landscape.

117. (B) Digital marketing is a broader term that encompasses e-marketing, as well as non-internet digital channels.
While often used interchangeably, digital marketing is a broader term than e-marketing. E-marketing specifically refers to marketing activities conducted via the internet and web-based technologies. Digital marketing, however, encompasses all marketing efforts that use electronic devices and digital channels, including those that do not require an active internet connection, such as mobile SMS, digital billboards, and television advertising. Understanding this distinction helps marketers develop more comprehensive strategies that utilize a wide range of modern digital tools and communication channels.

118. (C) Consumer tastes or climates differ significantly.
Product adaptation becomes a necessary strategy in international marketing when a firm encounters significant differences in local consumer tastes, cultural preferences, or geographic climates. For example, food products may need different ingredients to suit local palettes, or electronics may require modification for varying voltage standards. Adapting the product ensures it is functional and appealing in the host country,

NODIA

elements like family, social class, and culture also shape behavior, they are social and environmental influences. Psychological factors focus specifically on the cognitive and emotional mechanisms that occur within the individual's mind during the purchase journey.

133. (A) Both A and R are true and R is the correct explanation of A.
Brand extensions are a powerful growth strategy because they allow companies to enter new product categories by leveraging the strength of an existing brand name. Consumers who have had positive experiences with the parent brand are often more willing to trust and try the new product. This transfer of positive associations reduces the marketing costs and risks associated with launching an entirely new brand. When executed properly, brand extensions can increase overall market share and enhance the equity of the parent brand.

134. (B) Supply chain management
The order-to-cash cycle is a fundamental business process within supply chain management that spans the entire journey from a customer placing an order to the final receipt of payment. This process includes order entry, fulfillment, shipping, and billing. Efficient management of this cycle is essential for maintaining healthy cash flow and ensuring high levels of customer satisfaction. By streamlining these steps, companies can reduce lead times and operational costs, creating a more responsive and profitable system for delivering value to their clients.

135. (C) Physical Evidence
For service-oriented organizations like hospitals, physical evidence includes all the tangible elements that help patients evaluate the quality of the intangible care they receive. Clean and modern facilities, up-to-date medical equipment, and the professional appearance of the staff all serve as important sensory cues. These visible components build trust and provide reassurance to patients during a high-stakes service experience. Managing this physical environment effectively is vital for shaping a positive brand image and ensuring that patients feel comfortable and well-cared for.

136. (B) Perceived benefits relative to relationship costs.
In customer relationship management, the concept of value is defined by the customer's perception of the benefits they receive compared to the total costs of maintaining the relationship. This goes beyond the product's price to include psychological and emotional benefits, as well as the time and effort spent interacting with the company. Firms aim to deliver superior value to build loyalty and retention. By consistently exceeding customer expectations and reducing relationship friction, businesses can create a strong value proposition that discourages switching behavior.

137. (B) Economies of scale and supply chain efficiency.
A major advantage of organized retail is the ability to achieve significant economies of scale and high supply chain efficiency. Large retail chains can negotiate better prices from suppliers due to bulk purchasing and can invest in advanced logistics and inventory management systems. This leads to lower operational costs and the ability to offer a wider variety of products at competitive prices. These efficiencies provide a more standardized and professional shopping experience for consumers, distinguishing organized retail from smaller, traditional, and less structured outlets.

138. (C) Email Marketing
Email marketing is a powerful digital strategy that involves sending promotional messages, advertisements, or informational content directly to a list of subscribers via email. This method allows for highly personalized and targeted communication, as businesses can segment their audience based on past purchases or interests. It is a cost-effective way to build relationships, drive website traffic, and encourage immediate sales. Because results are easily measurable, marketers can track open rates and clicks to continuously refine their messaging and improve campaign effectiveness.

139. (C) Communication adaptation
Communication adaptation is an international marketing strategy where a company keeps its physical product standardized but modifies its advertising and promotional messages for different countries. This approach is used when

NODIA

it enables targeted marketing and personalized engagement strategies.

153. (B) Webrooming
Webrooming is a modern retail trend where consumers research products online, comparing prices and reading reviews, before visiting a physical store to make the actual purchase. This behavior allows shoppers to benefit from the convenience of digital information while still being able to see and touch the product before buying. It is the opposite of showrooming, where people browse in-store but buy online. For retailers, webrooming provides an opportunity to drive foot traffic into physical stores and engage directly with customers who are already informed.

154. (A) e-Marketing
E-marketing is a modern concept that focuses on using the internet and other electronic channels for the two-way communication and promotion of products and services. It allows businesses to interact with global audiences, provide real-time updates, and gather immediate feedback. This approach encompasses various tools such as websites, online advertising, and interactive social platforms. By leveraging these digital technologies, companies can build brand awareness and drive sales more efficiently while fostering deeper relationships with their customers through continuous and personalized engagement in the digital space.

155. (A) (v), (ii), (i), (iv), (iii)
Planning an international market entry requires a logical sequence of strategic decisions. It begins with the fundamental decision to go international, followed by a thorough analysis of the foreign marketing environment. Next, the firm must select the most appropriate mode of entry, such as exporting or joint ventures. Once the entry method is decided, a detailed marketing plan is developed using the 4Ps. Finally, the company must establish the appropriate marketing organization to manage and oversee the international operations, ensuring all activities are coordinated.

156. (C) The Psychoanalytic Model
The psychoanalytic model of consumer behavior, based on Freudian theory, suggests that individuals are often driven by subconscious motives and hidden desires when making purchase decisions. According to this perspective, people may not be fully aware of the true reasons behind their behavior, as choices can be influenced by deep-seated psychological needs for status, security, or belonging. Marketers using this model focus on using symbolic appeals and emotional imagery in advertising to connect with these underlying motivations, rather than relying solely on logical or functional product benefits.

157. (C) Handling Objections
Handling objections is a critical stage in the personal selling process where the salesperson addresses a customer's doubts, concerns, or hesitations about a product. These objections can relate to price, quality, or the need for the product itself. An effective salesperson views these objections as opportunities to provide more information and clarify the product's value. By listening carefully and providing persuasive responses, the salesperson can overcome these barriers and build trust, moving the potential customer closer to making a positive purchase decision and closing the sale.

158. (A) Both A and R are true and R is the correct explanation of A.
Effective supply chain management is a powerful source of competitive advantage because it integrates and optimizes all business processes from sourcing to final delivery. By coordinating these activities, firms can achieve lower operational costs, improve delivery speeds, and enhance overall flexibility in responding to market changes. These efficiencies are difficult for competitors to replicate quickly, as they require long-term investments in technology and relationships. A well-managed supply chain ensures that products are delivered reliably and cost-effectively, significantly increasing customer value and overall business performance.

159. (C) Price
The SERVQUAL model is a widely used framework for measuring service quality across five key dimensions: reliability, assurance, tangibles, empathy, and responsiveness. These dimensions focus on the psychological and operational aspects of service delivery that shape customer perceptions. While price is a

Downloaded from www.pdf.tube

146. (B) Green Marketing
Green marketing involves the promotion of products or services based on their environmental benefits, such as improved energy efficiency or reduced emissions. By highlighting these ecological advantages, companies can appeal to the growing number of consumers who are concerned about their environmental impact. This strategy helps build a positive and socially responsible brand image. Beyond just promotion, true green marketing requires a commitment to sustainable business practices throughout the entire product lifecycle, from manufacturing to disposal, reflecting a genuine concern for the natural world.

147. (A) Both Statement I and Statement II are correct.
A central challenge in international marketing is determining whether to standardize or adapt the marketing mix for foreign markets. Standardization involves using the same product and promotional strategies globally, which helps build a consistent brand image and provides significant cost savings through economies of scale. However, some level of adaptation is often necessary to account for local cultural, legal, and economic differences. Finding the right balance between these two approaches is critical for achieving global efficiency while ensuring local market acceptance and competitiveness.

148. (B) Industrial buying behaviour
Industrial buying behavior refers to the decision-making process of organizations that purchase goods and services to produce other products or for their internal operations. Unlike individual consumer buying, this process is typically more formal, rational, and involves multiple professional stakeholders within the company. Industrial purchases must meet specific technical and economic standards and are often made in large volumes. Understanding this behavior is vital for business-to-business marketers, as the demand for industrial products is ultimately derived from the eventual demand for consumer goods.

149. (B) The extension may dilute the core brand's image or meaning if it is inappropriate.
The primary risk associated with brand extensions is brand dilution, which occurs when a new product under an established name weakens the core brand's image. This happens if the extension is inconsistent with the brand's perceived quality or meaning, leading to consumer confusion. If an extension fails or is poorly received, it can negatively impact the reputation of the parent brand. Therefore, companies must carefully evaluate the fit between the brand and the new category to ensure that the extension strengthens rather than damages equity.

150. (B) Order-to-cash cycle
The order-to-cash cycle represents the entire business process from the moment a customer places an order until the company receives the final payment. This sequence includes order entry, processing, fulfillment, shipment, and invoicing. Managing this cycle efficiently is critical for ensuring smooth operations and healthy financial performance. By reducing the time it takes to complete these steps, firms can improve their cash flow and provide better service to their customers. Any bottlenecks in this process can lead to delayed deliveries and dissatisfied clients.

NODIA

151. (C) People
In the 7Ps of service marketing, the 'People' component is specifically concerned with the human actors involved in delivering the service. Because services are often inseparable from the provider, the expertise, attitude, and behavior of employees directly influence the customer's experience. Managing these interactions through effective recruitment, training, and motivation is essential for maintaining high service quality. Employees serve as the face of the brand, and their ability to build trust and rapport with customers is a major source of competitive differentiation for service firms.

152. (C) Identification
Identification is the initial stage of the customer relationship management process, where a business seeks to identify all potential and existing customers within its market. This involves gathering data on individuals and households to understand who they are and how they interact with the company. By building a comprehensive database of prospects, the firm can then move on to differentiating them based on their value and needs. This step is the foundation for all subsequent CRM activities, as

the product satisfies the same universal need, but the way it is perceived or used varies due to cultural differences or local media habits. By tailoring the communication to local languages and cultural sensitivities, the firm can better connect with foreign audiences while still benefiting from the production efficiencies of a standardized product.

140. (B) Buying Center
The buying center consists of all individuals and groups within an organization who participate in the complex purchasing decision-making process. This typically includes users, influencers, buyers, deciders, and gatekeepers, each playing a different role. Unlike individual consumer purchases, industrial buying is a collective effort aimed at satisfying technical, financial, and operational requirements. Understanding the dynamics and motivations of the buying center is essential for business-to-business marketers, as they must develop strategies that address the concerns of multiple stakeholders to win an account.

141. (B) Increased vulnerability to competitive marketing actions
High brand equity provides a company with several significant strategic advantages, including greater customer loyalty and the ability to charge premium prices. Brands with strong equity also benefit from more favorable responses to line and category extensions. Most importantly, a powerful brand name acts as a shield, making the company less vulnerable to the marketing tactics and price changes of its competitors. Customers who are deeply attached to a brand are less likely to be swayed by short-term promotional offers from other firms.

142. (C) Designing and Managing the Sales Force
Managing the sales force involves a comprehensive set of administrative and strategic activities designed to build an effective sales team. This includes recruiting and selecting the right candidates, providing necessary training, and motivating the staff through incentives and quotas. Managers must also evaluate performance to ensure that the team is meeting its objectives. This process is essential for ensuring that the sales force is properly aligned with the company's broader marketing goals and is capable of building strong, profitable relationships with customers.

143. (A) Identifying shortfalls between expectations and perceptions.
The Gap Model of Service Quality is a strategic framework used to identify and analyze the discrepancies that lead to poor service delivery. It focuses on several key internal and external gaps, such as the difference between customer expectations and management perceptions, or between service specifications and the actual delivery. By understanding where these shortfalls occur, managers can implement targeted improvements in processes, training, and communication. Closing these gaps is essential for ensuring that service quality consistently meets or exceeds the standards expected by customers.

144. (B) It treats all customers as equally valuable and important.
Customer Relationship Marketing is a data-driven strategy that recognizes that not all customers contribute equally to a company's success. Instead of treating everyone the same, CRM focuses on identifying and prioritizing the most profitable and valuable customers. This allows the firm to allocate more resources to retaining high-value clients and developing their potential over time. By using technology to understand individual behaviors and needs, companies can provide personalized experiences that build deep loyalty, which is more effective than a generic, mass-market approach.

145. (B) (i), (ii), (iii), and (iv)
Retail outlets can be classified into various formats based on their size, product assortment, and the way they interact with customers. Department stores, supermarkets, and convenience stores are common store-based formats that serve different consumer needs in physical locations. Direct selling involves interpersonal interactions away from a fixed retail store. While wholly-owned subsidiaries are a significant business structure for international operations, they refer to an ownership model for a company's foreign branch rather than a specific retail format used for selling goods directly to consumers.

Click Here to Buy book on Amazon

critical element of the general marketing mix, it is not considered one of the core SERVQUAL dimensions. The model is designed specifically to analyze how well the service delivery process aligns with customer expectations, rather than evaluating the financial cost of the service itself to the consumer.

160. (B) (ii), (iii), and (v)
Successful relationship-building strategies in CRM focus on fostering long-term engagement and loyalty rather than isolated transactions. This is achieved by implementing programs that reward repeat business and personalizing communications to meet individual customer needs. Additionally, actively gathering and responding to customer feedback shows that the company values the relationship and is committed to continuous improvement. By moving away from standardized mass marketing and focusing on tailored, data-driven interactions, businesses can build deep trust and maximize the lifetime value of their most important and profitable customer segments.

161. (B) Examining store merchandise before buying online for less.
Showrooming is a retail trend where consumers visit a physical store to see, touch, and test a product in person before purchasing it online, often at a lower price. This behavior allows shoppers to experience the product physically while still benefiting from the competitive pricing of e-commerce platforms. For traditional brick-and-mortar retailers, showrooming presents a significant challenge as it can lead to lost sales. To counter this trend, many stores are focusing on providing superior in-store service and implementing price-matching strategies to keep customers.

162. (B) Creating a TV ad with a QR code
Digital marketing strategies often integrate offline activities to bridge the gap between physical and digital worlds. A prime example is creating a television advertisement that includes a QR code, which viewers can scan with their smartphones to instantly access a website or a special online offer. While the ad is delivered through a traditional offline medium, the QR code acts as a direct link to a digital experience. This integration allows companies to reach a broad audience while still driving measurable digital engagement and providing immediate access to detailed information.

163. (C) Indirect Exporting
Indirect exporting is an international market entry mode where a company sells its products abroad through various domestic intermediaries, such as export trading companies or agents. This method represents the lowest level of resource commitment, control, and risk, as the intermediaries handle the complexities of international trade and distribution. It is an ideal starting point for firms with limited experience in foreign markets who want to test the demand for their products without making significant investments in their own international sales or production facilities.

NODIA

164. (C) Selective retention
Selective retention is a psychological process where individuals tend to remember only the information that supports their existing attitudes, beliefs, and values. In the context of marketing, this means that consumers are more likely to recall positive facts about brands they already like while forgetting negative information. This tendency makes it difficult for competitors to change a consumer's mind once a strong brand preference is established. Marketers must use repetitive and consistent messaging to ensure that their key brand benefits are retained by the target audience over time.

165. (C) P-3, Q-4, R-1, S-2
Branding strategies involve different ways of leveraging a brand name to achieve growth. A line extension involves adding new variants within the same category, like a shampoo brand launching a menthol version. Category extensions use a well-known name for a completely different product type, such as a motorcycle brand selling musical instruments. Co-branding occurs when two brands partner for a single product, like a joint credit card. Private branding happens when retailers sell products under their own store labels, offering exclusive value to their customers.

166. (A) Managing the sales force
Designing an effective compensation plan is a core responsibility in managing a sales force. By using a mix of salary, commissions, and bonuses,

the overall customer experience. Well-designed processes help ensure consistency, reduce wait times, and allow the firm to manage customer interactions more effectively and reliably.

126. (D) All of the above are potential sources.
Identifying new prospects is a critical continuous activity in the personal selling process, and salespeople utilize a wide range of sources to find potential leads. Referrals from satisfied customers are often the most effective, but trade shows and conventions also provide valuable opportunities for interaction. Additionally, public directories, company websites, and social media offer vast amounts of data. Even methods like cold calling and analyzing competitor activities can yield new prospects, helping the sales team maintain a healthy and active pipeline.

127. (B) To create long-term, mutually beneficial connections.
The core objective of relationship building in CRM is to move beyond isolated, one-time transactions toward creating lasting and mutually beneficial connections with customers. By focusing on trust and shared value, companies can build loyalty that translates into repeat business and positive advocacy. This long-term approach recognizes that maintaining an existing customer is more profitable than constantly acquiring new ones. Strengthening these bonds allows businesses to understand customer needs better and provide personalized solutions, ensuring sustainable growth and a strong market position.

128. (B) Supermarket
A supermarket is a large, self-service retail establishment that focuses on providing a wide variety of food, beverage, and common household products. These stores are organized into specific aisles for easy navigation and are designed for high-volume, low-margin operations. By offering a comprehensive selection of everyday items in one location, supermarkets provide significant convenience to shoppers. Their success depends on efficient supply chain management and high inventory turnover to maintain competitive prices while serving a broad customer base.

129. (C) Digital Marketing
Digital marketing encompasses all promotional efforts that use electronic channels to reach and engage with customers. The use of social media platforms like Facebook, Instagram, and Twitter is a primary component of this modern strategy. These channels allow businesses to interact with their audience in real-time, build brand awareness, and target specific demographic segments with high precision. By leveraging the power of digital networks, companies can foster community engagement, drive website traffic, and deliver personalized content to a globally connected audience.

130. (C) To comply with mandatory local product standards and regulations.
Adaptation in international marketing is often driven by the need to comply with mandatory local regulations and standards that differ from the home country. These can include specific safety requirements, electrical standards, or packaging and labeling laws. Failing to adapt the product to meet these legal criteria can prevent a firm from entering a market entirely. While standardization offers cost benefits, meeting local legal mandates is a non-negotiable requirement that ensures the product is both legal and functional in the host nation.

131. (A) P-4, Q-3, R-2, S-1
International market entry strategies vary significantly based on the levels of control, risk, and investment required. Exporting represents a low-risk method where goods are produced domestically and sold abroad. Licensing involves contractual agreements for using intellectual property with minimal control. Joint ventures involve shared ownership and management with local partners to mitigate risks. Conversely, wholly-owned subsidiaries demand the highest capital investment but provide complete operational control in the host country, allowing the firm to independently manage its foreign business operations.

132. (C) Motivation
Psychological factors such as motivation, perception, and learning are internal processes that significantly influence consumer buying behavior. Motivation refers to the inner drive or need that pushes an individual to seek satisfaction through a purchase. These factors dictate how consumers interpret marketing messages and make decisions. While external

Downloaded from www.pdf.tube

173. (A) Brand Loyalty, Brand Awareness, Perceived Quality, Brand Associations
Aaker's brand equity model outlines four primary dimensions that contribute to the value endowed to a product by its brand name. Brand awareness represents the strength of the brand's presence in the consumer's mind. Perceived quality refers to the customer's judgment of the brand's overall excellence. Brand associations are the specific mental links and meanings consumers connect to the brand. Finally, brand loyalty is the deeply held commitment to repurchase the brand. Together, these dimensions build strong equity, allowing for premium pricing and enhanced competitiveness in the marketplace.

174. (C) Pre-approach
The pre-approach is a critical stage in the personal selling process that occurs before a salesperson makes direct contact with a potential customer. During this step, the salesperson researches as much as possible about the prospect's needs, buying behavior, and organizational background. This preparation allows the salesperson to develop a tailored strategy and prepare for potential questions or objections. By entering the interaction with deep knowledge, the salesperson can build credibility more quickly and increase the chances of successfully moving the prospect toward a purchase decision and a long-term relationship.

175. (C) Physical Evidence and People
In service marketing, universities manage their reputation by focusing on the 'people' and 'physical evidence' components of the marketing mix. The expertise and success of highly qualified faculty and alumni are central to the people element, as they directly represent the quality of education provided. A modern campus with up-to-date facilities serves as critical physical evidence, providing tangible cues for prospective students to evaluate an intangible educational experience. Together, these elements help build a strong, professional image that reduces uncertainty and influences student enrollment decisions and overall institutional trust.

176. (A) A loyal customer base that provides long-term value.
The ultimate goal of a relationship-building strategy is to create a loyal customer base that provides sustainable, long-term value to the company. By moving beyond isolated transactions and focusing on trust and satisfaction, firms can ensure repeat business and positive word-of-mouth. Loyal customers are generally more profitable over time as they are less sensitive to price changes and cheaper to maintain than new acquisitions. Building these deep connections allows the company to understand and serve its clientele better, resulting in a stable and growing revenue stream for the business.

177. (C) Lack of adequate finance and bargaining power.
The unorganized retail sector is characterized by small-scale, traditional businesses that often operate with limited financial resources. Because individual stores have low sales volumes, they lack the significant bargaining power with suppliers that large retail chains possess. These outlets typically do not have access to advanced technology or modern supply chain systems. Despite these challenges, unorganized retailers thrive by building strong personal relationships with local communities and providing convenient access to everyday goods, although they face increasing competition from the professionalized and well-funded organized retail sector.

178. (A) e-Marketing, Green Marketing, Digital Marketing
The marketing landscape is constantly evolving, with several significant emerging trends shaping how companies reach and engage with their audiences. E-marketing and digital marketing leverage the power of the internet and electronic devices to create interactive and targeted communications. Green marketing addresses the growing environmental consciousness of consumers by promoting sustainable and eco-friendly products. These modern concepts represent a shift toward more technological, socially responsible, and data-driven approaches, distinguishing them from traditional marketing frameworks like the basic production concept or the standard 4Ps of the classic marketing mix.

179. (A) Both A and R are true and R is the correct explanation of A.
Planning the marketing mix for international markets requires a strategic balance between standardization and adaptation. Standardization

NODIA

229. (B) Product adaptation
Product adaptation occurs when a company modifies its existing product to suit the unique tastes, preferences, or cultural requirements of a specific foreign market. For example, a restaurant chain might offer a localized menu item that is not available in its home country to appeal to local palettes. This strategy increases the chances of market acceptance by ensuring the offering is relevant and appealing to the host audience. While more expensive than standardization, adaptation is often essential for successfully competing in diverse international environments where consumer habits and local regulations vary significantly.

230. (D) Family and reference groups
Social factors, such as family and reference groups, play a significant role in influencing consumer buying behavior. These external groups shape an individual's values, perceptions, and attitudes through direct and indirect interaction. Family members often have a powerful impact on purchase decisions, while reference groups provide a basis for comparison and social belonging. By observing and imitating the behavior of these groups, consumers learn which products are desirable or appropriate. Understanding these social influences helps marketers develop strategies that resonate with the collective values and norms of their target audience's social circles.

231. (A) Increased price sensitivity among loyal customers.
A successful branding strategy builds strong brand equity, which results in several significant strategic benefits for a company. These include the ability to charge a price premium, improved marketing communication effectiveness, and greater cooperation from distribution channel partners. Importantly, a powerful brand name actually decreases price sensitivity among loyal customers, rather than increasing it. Consumers who are deeply committed to a brand are willing to pay more and are less likely to switch to competitors based on price alone. This loyalty provides a stable revenue stream and allows for higher overall profit margins.

232. (C) Achieving strategic fit between supply chain and competition.
A key driver for creating value in a supply chain is achieving a strategic fit between the supply chain's capabilities and the firm's competitive strategy. This means that the supply chain must be designed to support the specific goals of the business, whether it is to be a low-cost leader or to provide high levels of responsiveness. By aligning operations with competitive objectives, companies can ensure that their logistical and production activities directly contribute to market success. This strategic alignment optimizes resource allocation, improves overall efficiency, and helps create superior value for the final customer.

233. (D) Statement I is incorrect, but Statement II is correct.
For service brands, the customer's actual experience during the service encounter is the primary driver of brand perception. Unlike physical goods where branding can be built through mass advertising alone, service quality is determined at the "moment of truth" when the customer interacts with the firm. These encounters shape impressions of reliability, expertise, and care. Therefore, brand loyalty in services is earned through consistent and high-quality delivery. Managing the service delivery process and employee interactions is critical, as a positive brand image cannot be sustained without a satisfying and reliable customer experience.

234. (C) The increase in customer retention, loyalty, and lifetime value.
The ultimate success of a CRM program is best measured by its impact on long-term customer relationships and profitability. Key metrics include significant improvements in customer retention rates, increased brand loyalty, and a higher total customer lifetime value. These indicators demonstrate that the firm is successfully using data to satisfy its most valuable clients and build sustainable bonds. While the size of the database or the number of emails sent are operational metrics, they do not reflect the true strategic value of CRM, which is to create a more stable and profitable customer base.

Click Here to Buy book on Amazon

186. (C) Search Engine Marketing (SEM) or Pay-Per-Click (PPC)
Search engine marketing, often referred to as pay-per-click advertising, involves paying search engines to display website advertisements in the sponsored results for specific keywords. This strategy provides immediate visibility and allows businesses to reach potential customers at the exact moment they are searching for relevant information. Unlike organic search optimization, SEM requires a direct financial investment for each click received. It is a highly measurable and targeted digital marketing tool that helps drive traffic and conversions by ensuring that a brand appears prominently on search engine results pages.

187. (D) To achieve perfect economies of scale in global production.
Product adaptation in international markets is driven by the need to meet varying local legal requirements, cater to diverse consumer tastes, and account for different climates. These adjustments help ensure that a product is relevant and successful in a host country. Conversely, the primary goal of achieving economies of scale is linked to product standardization, where a firm produces the exact same item for all global markets to lower manufacturing costs. While adaptation is essential for market acceptance, it inherently increases costs and reduces the potential for perfect global production efficiency.

188. (C) Closing
Closing is the critical stage in the personal selling process where the salesperson asks the customer for the order. This step is the culmination of all previous activities, including the presentation and handling of objections. It requires skill and confidence to recognize the right moment to finalize the deal. An effective closing not only secures the sale but also sets the foundation for a positive long-term relationship. Without successfully closing the interaction, the time and effort spent on prospecting and presenting would not result in tangible revenue for the business.

189. (C) SERVQUAL Model
Several established models provide frameworks for understanding consumer behavior, including the Howard-Sheth, Engel-Kollat-Blackwell, and Nicosia models. These theories focus on the cognitive and psychological processes that influence how individuals make purchase decisions. In contrast, the SERVQUAL model is a specialized tool used for measuring service quality by comparing customer expectations with their actual perceptions of a service encounter. While it relates to customer satisfaction, it is specifically designed for analyzing service delivery and quality management rather than being a broader theory of the internal decision-making processes used by consumers in general.

190. (C) It makes customers more sensitive to price increases from competitors.
Brand loyalty is a vital component of brand equity that refers to a consumer's deeply held commitment to repurchasing a specific brand. Loyal customers provide stable revenue and often promote the brand through positive word-of-mouth. Importantly, strong loyalty actually makes customers less sensitive to the marketing efforts and price changes of competitors. Because of their emotional and psychological attachment, loyal buyers are less likely to switch even if other brands offer lower prices. This price inelasticity is a significant strategic advantage that allows companies to maintain higher margins and sustainable market positions.

191. (A) (iii), (i), (ii), (v), (iv)
The logical flow of a supply chain starts with sourcing and procurement to acquire necessary raw materials from suppliers. These items are moved via inbound transportation to the production facility for manufacturing and assembly. Once the finished products are ready, the order fulfillment process begins to meet customer requests. Finally, outbound transportation ensures that the goods are delivered to the end user, completing the cycle from origin to consumption. This coordinated sequence ensures that the right products reach the right place at the right time, maximizing overall network efficiency and customer value.

192. (A) People, Process, Physical Evidence
The extended marketing mix for services, known as the 7Ps, adds three critical components to the traditional 4Ps of product, price, place, and promotion. These are 'people,' representing the staff who deliver the service; 'process,' referring to the procedures used in delivery; and 'physical

Downloaded from www.pdf.tube

allows firms to achieve significant cost savings through economies of scale and maintain a consistent global brand identity. However, adaptation is often necessary to meet diverse local consumer preferences, cultural norms, and mandatory legal regulations. By carefully tailoring certain elements while keeping others uniform, companies can optimize their global efficiency while ensuring their products are relevant and competitive in each host country. This balanced approach is essential for successful long-term international expansion.

180. (B) Post-purchase behaviour
Post-purchase behavior is the final stage of the consumer decision-making process, where the individual assesses their level of satisfaction after using a product. This evaluation depends on whether the product's performance meets, exceeds, or falls short of their initial expectations. Positive experiences lead to satisfaction and future loyalty, while negative experiences can result in cognitive dissonance and brand switching. Understanding this behavior is vital for marketers, as it directly influences repeat purchases and the word-of-mouth recommendations that shape the brand's reputation in the broader market.

181. (B) Brand name and extension decisions
A critical decision in brand management involves choosing how to name new products as the company grows. Firms must decide whether to create an entirely new brand name, use an existing name through a brand extension, or combine multiple names. Extensions leverage the established reputation of a parent brand to enter new categories more easily and with lower costs. However, managers must be careful to ensure a good fit to avoid brand dilution. These naming strategies determine how consumers will perceive and link different products within the company's broader brand portfolio.

182. (B) (i), (ii), (iii), and (iv) only
Logistics management encompasses several coordinated activities designed to ensure the efficient movement and storage of goods. This includes customer service, inventory management, and the processing of orders. Transportation is also a core function, as it physically moves products across the supply chain. These operational tasks work together to meet customer demand while minimizing costs. While brand positioning is a vital strategic marketing activity that shapes the product's identity in the consumer's mind, it is not considered a direct operational component of the logistical and physical distribution process itself.

183. (B) Inseparability
Inseparability is a fundamental characteristic of services that makes it impossible to separate the creation of the service from its consumption. Unlike physical goods that are manufactured and then sold, services are produced and consumed at the exact same time. This often requires the physical presence and participation of both the service provider and the customer during the encounter. Because of this, the quality of the service is deeply dependent on the interaction between them, making the management of personnel and service delivery processes critical for ensuring high customer satisfaction.

NODIA

184. (C) Customer development
Customer development is a strategic CRM approach focused on increasing the "share of wallet," which refers to the percentage of a customer's total spending in a category that a company captures. This involves encouraging existing customers to buy more frequently or to purchase a wider variety of the firm's products. By building deeper relationships and understanding individual needs, companies can identify opportunities for cross-selling and up-selling. This strategy maximizes the profitability of the current customer base and is often more efficient than focusing solely on the expensive task of acquiring new clients.

185. (C) Hypermarket
A hypermarket is a massive retail outlet that combines the characteristics of a supermarket and a discount store, providing a very wide assortment of merchandise under one roof. These stores typically have a huge physical footprint and stock everything from groceries and fresh produce to electronics, clothing, and household goods. By offering a one-stop shopping experience with high volume and competitive pricing, hypermarkets appeal to consumers looking for convenience and value. Their size and diverse range allow them to serve as a comprehensive destination for almost all of a shopper's needs.

199. (C) A credit card issued jointly by a bank and an airline.
Co-branding is a marketing strategy where two different and established brands join forces for a single product or service. A prime example is a credit card issued jointly by a bank and an airline, where the product benefits from the reputations of both partners. This arrangement allows each brand to reach a new audience and provides unique value to the customer, such as earning travel rewards on daily spending. By sharing resources and expertise, both companies can enhance their brand image and increase the market appeal of the collaborative offering.

200. (C) Supply Chain Management
Supply chain management is the comprehensive integration and management of business processes across all stages, from original suppliers to the final end user. It involves coordinating the flow of products, services, and information to create maximum value for customers while minimizing total system costs. By building strong relationships and ensuring smooth communication between all partners, SCM enhances operational efficiency and responsiveness. This holistic approach ensures that every link in the chain works together to meet market demand effectively, providing a significant competitive advantage for the organizations involved in the network.

201. (D) Assurance
In the SERVQUAL model, the 'assurance' dimension refers to the knowledge, courtesy, and trustworthiness of employees, as well as their ability to convey confidence to the customer. For professional service firms like consultancies, this is critical because customers must believe in the firm's expertise before committing to a purchase. By demonstrating professional competence and a reliable track record, the consultancy builds the necessary trust. This psychological sense of security helps reduce the perceived risk of an intangible service and is a major driver of overall customer satisfaction and long-term brand loyalty.

202. (C) It involves a cycle of identifying, differentiating, interacting with, and customizing for customers.
The CRM process is a continuous, data-driven cycle designed to build and maintain profitable long-term customer relationships. It begins with identifying individual customers and then differentiating them based on their specific needs and value to the company. Next, the firm interacts with these customers to gather deeper insights and build trust. Finally, the knowledge gained is used to customize products and communications for a personalized experience. This systematic approach ensures that the business stays relevant to its most valuable customers, fostering loyalty and maximizing their total lifetime value over time.

203. (A) (i), (ii), and (iii)
The retail landscape is undergoing significant transformation driven by several major trends, including the rapid growth of organized retail and the explosive emergence of e-commerce. Furthermore, the rise of private label brands allows retailers to offer unique value and increase their margins. While unorganized retail still holds a large market share, it is not shutting down entirely; rather, it is coexisting and sometimes modernizing. Consumer spending also continues to evolve with economic growth. These trends reflect the modernization of the industry as businesses adapt to changing consumer behaviors and technological advancements.

204. (C) The Production Concept
Emerging trends in marketing focus on modern, technology-driven, and socially responsible approaches such as digital marketing, e-marketing, and green marketing. These concepts reflect the contemporary shift toward personalized engagement and sustainability. In contrast, the production concept is a traditional marketing philosophy from the early industrial era, which assumes that consumers will favor products that are widely available and affordable. While historically significant, it is not considered an emerging trend, as modern marketing prioritizes customer needs, digital interaction, and environmental impact over the simple maximization of production and distribution efficiency.

Click Here to Buy book on Amazon

205. (C) Views the entire world as a single market and develops a standardized marketing strategy.
A geocentric approach to international marketing involves viewing the entire world as a single, integrated marketplace without prioritizing the home country or specific regions. Companies following this strategy aim to develop standardized products and marketing plans that appeal to universal consumer needs across different borders. This approach seeks to maximize global efficiency and brand consistency by leveraging similarities in market segments and achieving significant economies of scale. By focusing on global similarities rather than local differences, firms can streamline operations and build a powerful, uniform brand image worldwide.

206. (B) Dissonance-reducing buying behaviour
Dissonance-reducing buying behavior occurs when a consumer is highly involved in a purchase due to high cost or risk but perceives very few differences between the available brands. Because the brands seem similar, the shopper may make a relatively quick decision based on price or convenience. After the purchase, however, the consumer may experience post-purchase dissonance or discomfort if they notice disadvantages in their choice or hear good things about other brands. Marketers can address this by providing reassurance and post-sale support to confirm that the customer made the right decision.

207. (B) A brand name is the part that can be spoken, while a brand mark is the non-vocal symbol or design.
A brand consists of multiple elements that help identify and differentiate a product, with the brand name and brand mark being two primary components. The brand name is the specific part of a brand that can be spoken or vocalized, such as 'Apple' or 'Nike.' In contrast, the brand mark is the non-vocal part, often taking the form of a symbol, logo, or distinct design, like the swoosh or the bitten apple icon. Together, these elements create a complete visual and verbal identity that helps consumers recognize and connect with the brand.

NODIA

208. (C) Engage in interpersonal communication to persuade a customer to make a purchase.
Personal selling is a promotional tool that focuses on direct, interpersonal communication between a salesperson and a potential customer. The primary purpose is to inform the customer about a product's benefits and persuade them to make a purchase. Unlike mass media advertising, personal selling allows for two-way communication where the salesperson can address specific needs and objections in real-time. This method is especially effective for complex or high-value products that require trust and personalized explanations, helping to build long-term relationships and drive immediate sales actions.

209. (A) Focusing on making the service as tangible as possible.
A primary marketing strategy for service firms is to address the challenge of intangibility by making the service as tangible as possible for customers. Because services cannot be seen or felt before purchase, consumers look for physical cues to judge quality. Managers provide these cues by ensuring professional environments, using high-quality marketing materials, and maintaining a consistent brand image. By "tangibilizing the intangible," firms reduce customer uncertainty and build trust. This focus on physical evidence helps shape positive perceptions and differentiates the service in a competitive marketplace where visible proof of quality is vital.

210. (D) Differentiation
Differentiation is a critical step in the customer relationship management process where a company analyzes its customer data to categorize individuals into groups based on their specific needs and their overall value. By identifying the most profitable customers, the firm can prioritize its resources and develop targeted strategies to retain and grow these important relationships. This process recognizes that not all customers are the same and allows the business to move away from generic marketing. Understanding these differences is the foundation for creating personalized interactions and delivering customized value to each specific segment.

211. (A) Both Statement I and Statement II are fundamentally correct.
The retail industry is currently characterized by the simultaneous growth of organized retail and the continued dominance of the unorganized sector. The expansion of large, professionally managed chains is driven by rising incomes and changing consumer lifestyles, which demand more variety and convenience. At the same time, unorganized retail, which includes millions of small, family-owned 'kirana' stores, still holds a significant share of the total market due to its local proximity and personalized service. Both sectors coexist, reflecting the diverse shopping habits and economic structure of the broader retail marketplace.

212. (A) An automobile company advertising its new electric vehicle.
Green marketing involves promoting products based on their environmental benefits, such as reduced pollution or sustainable sourcing. An automobile company advertising a new electric vehicle is a prime example, as it highlights a product designed to minimize the negative impact on the natural environment compared to traditional internal combustion engines. This strategy appeals to the growing segment of eco-conscious consumers who prioritize sustainability in their purchase decisions. By focusing on environmental responsibility, firms can build a positive brand image while contributing to broader societal goals of conservation and ecological health.

213. (D) Wholly-Owned Subsidiary
A wholly-owned subsidiary is an international market entry mode that offers a firm the highest level of control over its foreign operations. By owning 100% of the local business, the parent company can independently manage all strategic, operational, and financial decisions. This includes full control over proprietary technology and brand standards. While this method requires the highest capital investment and carries significant risk, it also provides the greatest potential for long-term profits. It is the preferred choice for companies looking to establish a permanent and powerful presence in a key international market.

214. (A) Statement A and Statement R are both true and logically connected.
Industrial buying behavior is typically more rational and professional than individual consumer buying because it must satisfy specific organizational requirements. These purchases are evaluated by trained professionals, such as procurement managers, who use technical and economic criteria like cost-efficiency, reliability, and technical specifications to make decisions. Because industrial goods are used in production, any purchase error can have significant consequences for the entire company. This formalized and logical process ensures that the organization acquires the best possible inputs to meet its own productivity and profitability goals in a competitive market.

215. (B) Name, logo, symbol, or design
A brand is defined by a set of identifying elements, including a name, logo, symbol, or specific design, which work together to differentiate a product from its competitors. These elements provide a unique identity that helps consumers recognize the brand and associate it with specific qualities or benefits. While price and distribution are important components of the marketing mix, they do not serve as the primary identifiers of the brand itself. Building a strong and consistent visual and verbal identity through these elements is essential for creating brand awareness and long-term customer loyalty.

216. (A) The trade-off between inventory cost and transportation cost.
A fundamental trade-off in logistics and supply chain management occurs between inventory holding costs and transportation costs. For example, a company can choose to carry high levels of inventory at local warehouses to provide fast service, which increases storage costs but reduces frequent shipping expenses. Alternatively, it can maintain low inventory levels and use fast, expensive transportation to ship products only when needed. Finding the optimal balance between these two competing costs is essential for achieving overall system efficiency while meeting customer service requirements and maintaining a competitive and profitable supply chain.

Downloaded from www.pdf.tube

evidence,' which includes all tangible cues customers use to evaluate the intangible service. These additional elements are essential because they address the unique characteristics of services, such as inseparability and intangibility, helping firms manage every aspect of the customer experience to ensure quality and satisfaction.

193. (D) P-3, Q-4, R-1, S-2
CRM strategies involve various processes designed to optimize the value derived from customer interactions. Customer lifetime value estimates the total profit expected over a long-term relationship, while differentiation groups individuals based on their specific needs and value. Acquisition focuses on attracting new clients, whereas retention aims to keep existing ones from switching to competitors. These integrated activities help businesses build a more profitable and loyal customer base by using data to provide personalized experiences and targeted engagements that increase overall satisfaction and sustainable long-term business performance.

194. (B) To link the company with its customers by communicating, selling, and building relationships.
The primary purpose of a sales force is to act as a direct link between a company and its customers. Salespeople are responsible for communicating the value of the company's offerings, making sales, and building lasting interpersonal relationships. They provide essential feedback from the market to the firm while addressing individual customer needs. This direct human interaction is vital for complex products that require explanation and trust. By managing these relationships effectively, the sales force helps achieve organizational goals, drives revenue growth, and ensures a high level of long-term customer satisfaction.

195. (C) In-store payment and checkout process
The rapid adoption of mobile wallets and UPI payments is a major recent trend that has transformed the in-store payment and checkout process. These digital payment technologies provide consumers with a fast, secure, and convenient way to finalize their purchases without using physical cash or cards. For retailers, this trend speeds up the checkout line and improves operational efficiency. By integrating these modern payment solutions, stores can enhance the overall customer experience, meet the expectations of tech-savvy shoppers, and stay competitive in an increasingly digital and cashless retail environment.

196. (B) Social Marketing
Social marketing is an emerging concept that applies traditional marketing principles and techniques to promote social causes and influence behaviors that benefit society as a whole. This includes public health campaigns for vaccinations, environmental awareness programs, and anti-drug initiatives. Unlike commercial marketing, the primary goal of social marketing is not financial profit but social good. By using effective communication and behavioral science, social marketers aim to encourage individuals to adopt positive behaviors and reject harmful ones, leading to improved community well-being and long-term societal progress.

197. (A) Both A and R are true and R is the correct explanation of A.
Choosing an international market entry mode is a critical strategic decision that has profound long-term consequences for a company. The selected mode, such as exporting, licensing, or establishing a wholly-owned subsidiary, determines the level of control, financial risk, and resource commitment the firm will have in the foreign market. This decision impacts how much profit the company can generate and how easily it can respond to local competitive changes. Because these entries often require significant capital and management time, the choice must be carefully aligned with the firm's global strategy.

198. (B) Market
In the field of marketing, a market consists of the set of all actual and potential buyers of a particular product or service. These individuals share a common need or want that can be satisfied through an exchange relationship. Marketers work to understand the characteristics and behaviors of this group to develop effective strategies for communication and sales. By identifying and segmenting the market, companies can better target their offerings to meet the specific demands of different consumer groups, ensuring that their products are both relevant and appealing in the competitive landscape.

NODIA

223. (C) Customer-Based Brand Equity
Customer-based brand equity refers to the differential effect that brand knowledge has on a consumer's reaction to the marketing of that brand. When a brand has positive equity, customers respond more favorably to its products and promotions compared to generic versions. This value is built through strong brand awareness and favorable, unique brand associations in the consumer's memory. Strong equity allows companies to maintain customer loyalty, charge premium prices, and more easily introduce brand extensions, providing a significant and sustainable competitive advantage in the marketplace based on consumer perceptions.

224. (B) Developing the company's overall production schedule
Sales force management focuses on the strategic and administrative tasks required to build and maintain a productive sales team. Key responsibilities include setting sales objectives, recruiting and training salespeople, and motivating and evaluating the team's performance. These activities ensure that the sales force is aligned with marketing goals and can build strong customer relationships. While the sales team provides demand forecasts, developing the company's actual production schedule is an operational manufacturing function rather than a primary responsibility of the sales manager, who is focused on driving revenue and managing the team.

225. (C) Variability (or Heterogeneity)
Variability, also known as heterogeneity, is a core characteristic of services that makes it difficult to ensure consistent and uniform quality. Because services are produced by human actors and often involve direct interaction with customers, the quality can vary depending on who provides it, as well as when and where it is delivered. Unlike manufactured goods, which can be standardized on an assembly line, services are subject to human factors. To manage this challenge, service firms invest in extensive training, standardized procedures, and regular performance monitoring to maintain high quality standards consistently.

226. (C) To build sustainable competitive advantage through customer loyalty.
Investing in a customer relationship management system is a strategic move aimed at building a sustainable competitive advantage by fostering deep customer loyalty. CRM allows a firm to collect and analyze detailed data on customer preferences and behaviors, enabling more personalized and effective interactions. By understanding and meeting individual needs better than competitors, companies can improve retention rates and increase the lifetime value of their clientele. This long-term focus on building trust and satisfaction is far more beneficial than simply following competitors or trying to reduce staff through technology alone.

227. (A) It involves selling goods and services directly to final consumers for their personal use.
Retail marketing is distinguished from other forms of marketing by its focus on selling products and services directly to the final consumer for their personal, non-business use. It occurs at the end of the distribution channel and involves making decisions about store location, merchandise mix, and promotional activities that attract shoppers. Whether done in physical stores or online, the goal of retail marketing is to provide a satisfying shopping experience that meets the immediate needs of individuals and households, ensuring that products are easily accessible and appealing to the end user.

228. (C) Green Marketing
Green marketing is a philosophy where companies strive to meet the needs of their customers while also actively working to preserve or enhance the natural environment. This approach involves developing sustainable products, using eco-friendly packaging, and implementing environmentally responsible business processes. By addressing the ecological concerns of consumers, businesses can build a socially responsible brand image and attract environmentally conscious shoppers. This dual focus on customer satisfaction and ecological preservation reflects a long-term commitment to sustainability and ethical business practices in a world where environmental impact is increasingly important to consumers and society.

Click Here to Buy book on Amazon

217. (B) P-3, Q-4, R-1, S-2
The service marketing mix involves several interrelated components that shape the customer experience. 'People' refers to the training and attitude of staff, while 'process' covers the specific procedures used for service delivery. 'Physical evidence' includes the tangible environment, such as a hotel's design and decor, while the 'product' is the core benefit provided to the consumer. Understanding these elements is essential for service firms, as they must manage both the intangible benefits and the visible cues to ensure that the service consistently meets or exceeds customer expectations and build loyalty.

218. (C) Transition from a transactional to a relationship-based model.
The core philosophy of customer relationship marketing is to move away from a focus on isolated, short-term transactions toward building long-term, profitable relationships. This approach recognizes that retaining existing customers is often more valuable than constantly acquiring new ones. By using data to understand individual preferences and behaviors, companies can provide personalized service that fosters trust and loyalty. This relationship-based model seeks to maximize the lifetime value of each customer, ensuring sustainable growth and a stronger market position through deep and mutually beneficial connections between the business and its clientele.

219. (C) Application of modern management techniques and technology.
Organized retailing is characterized by the application of professional management techniques and advanced technology to the retail process. This includes the use of sophisticated supply chain systems, centralized inventory management, and data-driven marketing strategies. These large-scale operations, such as corporate retail chains and hypermarkets, offer a standardized shopping experience and a wide variety of merchandise. By leveraging technology and modern business practices, organized retailers can achieve high levels of efficiency and responsiveness, distinguishing them from the smaller, more traditional, and less structured businesses found in the unorganized retail sector.

220. (A) Using electronic channels like the internet to market products and services.
E-marketing involves the use of electronic channels and internet-based technologies to achieve marketing objectives and reach consumers. This modern approach encompasses various activities, including website management, online advertising, and email campaigns. By leveraging the power of digital communication, businesses can interact with global audiences in real-time, provide personalized content, and gather valuable data on consumer behavior. E-marketing allows for more precise targeting and measurable results compared to traditional methods, making it a vital component of a comprehensive marketing strategy in today's increasingly connected and digital-first business environment.

221. (A) Price escalation
Price escalation is a significant challenge in international marketing, where the final price of a product in a foreign market becomes much higher than in the home country. This occurs due to additional costs such as international shipping, insurance, import duties, and the longer distribution channels involved in global trade. These added expenses can make a product less competitive in host nations. Marketers must carefully analyze these costs and consider strategies like local production or simplified products to manage price levels and ensure the offering remains attractive to foreign consumers.

222. (C) (i), (ii), (iii), and (iv)
The industrial buying center is a collective group of stakeholders within an organization who participate in the purchasing decision-making process. Key roles include 'users' who actually work with the product, 'influencers' who provide technical expertise, 'buyers' who handle the formal purchase, and 'deciders' who have the final authority. Competitors are external actors and are not part of the internal buying center. Understanding the motivations and needs of these internal participants is essential for business-to-business marketers to develop effective sales strategies and successfully win large-scale organizational accounts.

NODIA

235. (B) Retailers create and market their own brands in their stores.
The rise of private labels is a significant retail trend where stores develop and sell products under their own unique brand names, exclusive to their outlets. This strategy allows retailers to offer high-quality alternatives to national brands at more competitive prices while maintaining better profit margins. By controlling every aspect of these products, from production to shelf placement, retailers can build store loyalty and differentiate themselves in a crowded market. Private labels empower retailers to take a more active role in branding and value creation, directly competing with traditional manufacturer brands.

236. (B) It aims to elicit a direct, measurable response from the customer.
Direct marketing is a targeted promotional strategy designed to establish a one-to-one connection with individual customers and elicit a specific, measurable response. This can include making a purchase, requesting more information, or visiting a website. By using personalized channels like email, direct mail, or telemarketing, businesses can track the effectiveness of their campaigns with high precision. This approach allows for detailed segmentation and customized messaging, distinguishing it from mass marketing methods that aim for broad brand awareness without a clear and immediate call-to-action mechanism for the consumer.

237. (B) To gain local knowledge, share costs, and reduce entry risks.
The primary motivation for entering a joint venture in a foreign market is to share the significant financial costs and risks of international expansion with a local partner. This arrangement provides the entering firm with invaluable access to the partner's local market knowledge, established distribution networks, and understanding of regional regulations and cultural norms. By combining their respective strengths, both companies can achieve common goals more efficiently than they could alone. This collaborative approach is particularly beneficial when entering complex or high-risk markets where local expertise is essential for navigating the business environment.

238. (C) Problem Recognition
Problem recognition is the initial stage of the consumer buying process, occurring when an individual perceives a significant difference between their current actual state and a desired future state. This gap triggers the need or want for a product or service to resolve the issue. Whether it is a simple need like hunger or a complex desire for status, this recognition initiates the subsequent stages of information search and alternative evaluation. Understanding the factors that trigger this process is vital for marketers, as they aim to position their offerings as the ideal solution.

239. (D) A is false but R is true.
While the personal selling process is often described as a series of logical steps, it is not a rigid or fixed sequence that must be followed identically for every sale. Effective personal selling requires significant flexibility and the ability to adapt to the unique needs, personality, and situation of each prospective customer. Successful salespeople must be able to think on their feet, adjust their presentation in real-time, and handle objections as they arise. This adaptability is what makes personal selling a powerful interpersonal tool for building rapport and successfully closing complex transactions.

NODIA

240. (C) Transportation
Transportation is a fundamental driver in supply chain management that involves making critical decisions on how goods are physically moved between different locations. This includes selecting the most appropriate modes of transport, such as truck, rail, or air, based on cost and speed requirements. Managers must also design efficient delivery routes and schedules to ensure that products arrive at their destination on time. By optimizing transportation activities, companies can reduce shipping costs, minimize lead times, and improve overall customer service levels, contributing significantly to the performance of the entire supply chain network.

241. (D) Intangibility
Intangibility is a core characteristic of services, meaning they are performances or experiences that cannot be seen, tasted, felt, or touched before they are purchased. This creates a significant challenge for marketers, as consumers face high

255. (C) Economic, psychological, and socio-cultural.
Consumer behaviour models utilize a multidisciplinary approach to provide a comprehensive understanding of the purchasing journey. The passage explicitly mentions that these theoretical frameworks range across economic, psychological, and socio-cultural perspectives. Integrating these different lenses allows marketers to account for internal motivations as well as external influences like culture and social class when analysing various consumer decisions.

256. (B) The creation and measurement of brand equity.
Brand equity represents the added value that a brand name provides to a product, beyond its functional attributes. Successful brand management focuses on creating and measuring this value through a structured approach. By building brand equity, companies enhance their market position and gain financial advantages. It serves as the central strategic pillar for maintaining long-term brand health.

257. (D) To act as a promise of a certain experience to the consumer.
A brand functions as more than just a name; it serves as a symbolic promise to the consumer regarding quality and service. This promise helps set clear expectations for the customer experience and effectively differentiates the product from competitors. By fulfilling this expectation, a brand reduces perceived risk for the purchaser and simplifies the decision-making process.

258. (A) The consumer's perception and accumulated experiences with the brand.
Brand equity is an intangible asset that is not inherent in the physical product itself. Instead, it is built over time through consistent marketing efforts and the accumulation of positive consumer experiences. This value is primarily derived from how customers perceive the brand and the associations they form based on their interactions, ultimately influencing their long-term commitment.

259. (C) To provide a framework for understanding and measuring brand value.
Brand equity models offer a structured framework for businesses to understand and measure the various components of brand value. These tools allow firms to identify specific sources of equity, such as brand awareness and loyalty. By using these models, organizations can diagnose their brand's health and make informed strategic decisions to improve their competitive position in the marketplace.

260. (A) Manufacturing cost.
While brand equity models focus on intangible assets like brand awareness, perceived quality, and brand associations, they do not typically include manufacturing costs as a direct source of equity. Manufacturing costs relate to the production side of operations rather than the value added by the brand name in the mind of the consumer. Equity is built through perception.

261. (D) It leverages the established equity of the parent brand for the new product.
A brand extension strategy involves using a well-established brand name to launch a new product in a different category. The primary benefit of this approach is that it leverages the existing equity and consumer trust of the parent brand. This existing reputation facilitates easier market entry for the new offering by reducing consumer uncertainty and capitalizing on recognized value.

262. (B) The potential dilution of the core brand's image.
Although brand extensions can be beneficial, they carry the significant risk of diluting the image of the core brand. If a new product fails to meet consumer expectations or is inconsistent with the brand's identity, it can weaken the overall equity of the parent brand. This potential damage to the established reputation is a critical strategic consideration.

263. (C) Deep-seated brand loyalty.
Deep-seated brand loyalty is considered the highest achievement and the ultimate goal of any branding strategy. It represents a consistent commitment from consumers to repurchase a preferred brand regardless of competitive pressures or price changes. This loyal relationship creates a sustainable competitive advantage for the firm by insulating it from market fluctuations and ensuring a steady customer base.

Downloaded from www.pdf.tube

customer is significantly more cost-effective than the expensive process of acquiring new ones. Successful CRM strategies therefore focus on building deep loyalty to maximize these long-term profits.

248. (C) Wholesaler
Retail outlets are businesses that sell goods and services directly to final consumers for their personal use. Common examples include department stores, supermarkets, and convenience stores, which are designed to serve individuals and households. In contrast, a wholesaler is an intermediary that buys goods in large quantities from manufacturers and resells them to other businesses, such as retailers or industrial users. While wholesalers are a vital part of the distribution channel, they do not qualify as retail outlets because they do not primarily sell to the final individual consumer for personal consumption.

249. (A) Digital Marketing
Digital marketing encompasses all promotional efforts that use electronic channels and the internet to reach audiences. A core activity within this field is the use of search engine optimization techniques to improve a website's ranking on search results pages. By enhancing visibility for relevant keywords, businesses can drive more organic traffic to their site and reach potential customers who are actively searching for information. This data-driven approach allows for precise targeting and measurable results, making digital marketing a vital tool for building brand awareness and achieving growth in an increasingly online-first business environment.

250. (A) Geocentric or Global
A geocentric or global strategy involves viewing the entire world as one integrated marketplace where universal products can be sold with minimal variation. This orientation aims to develop standardized marketing plans that capitalize on common consumer needs across different nations. By focusing on global similarities rather than regional differences, companies can streamline their operations, build a consistent worldwide brand image, and achieve substantial cost savings through large-scale production. This approach is ideal for products with universal appeal that are not heavily influenced by local cultural or legal differences, maximizing overall global efficiency and competitiveness.

251. (B) To provide a conceptual framework for analysing the consumer's decision-making process.
Consumer behaviour theories and models provide a systematic framework for marketers to understand the complex journey of a purchaser from stimulus to final response. These conceptual lenses help analyse the unobservable mental processes often referred to as the 'black box'. By using these frameworks, organizations can better map decision-making stages and various influencing factors more effectively.

252. (A) The formality of the process and the nature of the decision-making unit.
Industrial buying behaviour is characterized by more formalized and complex procedures compared to consumer behaviour. It typically involves multiple stakeholders within an organization, forming a technical decision-making unit. These structural differences in formality and the nature of the participants are the primary factors that distinguish organizational procurement from individual or household purchasing processes described in the text.

253. (C) The unobservable internal mental processes of a consumer.
The 'black box' concept represents the internal and unobservable mental processes that occur within a consumer's mind between receiving a marketing stimulus and making a response. It encompasses various psychological factors such as perception, motivation, and learning. Understanding these hidden cognitive elements is essential for marketers to predict how individuals will react to different marketing strategies.

254. (D) Developing a more effective marketing mix.
Analysing consumer behaviour allows organizations to create a more effective marketing mix tailored to their target audience. By understanding the needs, wants, and decision-making calculus of purchasers, firms can better design products, set appropriate prices, choose distribution channels, and develop resonant promotional strategies. This systematic approach ensures that the marketing mix aligns with the intended market segment.

NODIA

CHAPTER 08

Operations Management and Quantitative Techniques

1. Which of the following best defines 'Statistics' in the context of management?
(A) Systematic collection of numerical data for record-keeping and bookkeeping.
(B) Science of collecting, organizing, analyzing, and presenting data for decisions.
(C) Practice of utilizing historical data to forecast future corporate performance.
(D) Set of mathematical models used strictly for specialized academic research.

2. Which measure of central tendency is most affected by extreme values (outliers)?
(A) Mean
(B) Median
(C) Mode
(D) Geometric Mean

3. Given below are two statements:
Statement I: The Binomial distribution is a discrete probability distribution.
Statement II: The Normal distribution is a continuous probability distribution.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

4. A distribution of data where the mean, median, and mode are all equal is known as a:
(A) Positively skewed distribution
(B) Negatively skewed distribution
(C) Bimodal distribution
(D) Symmetrical distribution

5. Which of the following is NOT a measure of dispersion?
(A) Range
(B) Standard Deviation
(C) Mode
(D) Variance

6. The Poisson distribution is most appropriately used for modeling which of the following scenarios?
(A) Physical height of students within a classroom.
(B) Hourly arrival of calls at a specific center.
(C) Outcome of a coin toss repeated ten times.
(D) Total number of defects in a manufacturing batch.

7. What is the primary purpose of questionnaire design in data collection?
(A) To maximize survey length to capture a higher volume of information.
(B) To structure questions so only favorable feedback is obtained.
(C) To develop complex items that challenge the respondent's cognitive logic.
(D) To collect relevant research data in a reliable and valid manner.

8. A question in a survey asks, "Do you think the new product is both affordable and high-quality?" This is an example of what kind of flawed question?
(A) A double-barreled question
(B) A leading question
(C) An ambiguous question
(D) A hypothetical question

9. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Primary data is more expensive and time-consuming to collect compared to secondary data.
Reason (R): Primary data is collected for the first time for a specific purpose, requiring direct effort like surveys or experiments.
(A) Both A and R are true and R is the correct explanation of A.

Click Here to Buy book on Amazon

264. (D) The memorability, meaningfulness, and protectability of the name.
Selecting an effective brand name is a foundational task that requires evaluating specific criteria to ensure long-term success. The text highlights memorability, meaningfulness, and protectability as essential factors in this decision-making process. A name meeting these standards acts as a central anchor for the brand's identity and helps the product stand out while being legally defensible in the market.

265. (A) To build a strong and loyal relationship with consumers.
The various elements of a branding strategy, ranging from naming to extension policies, are orchestrated to foster a strong and positive relationship with the target audience. The ultimate objective is to cultivate unwavering customer loyalty. By consistently delivering on the brand promise across all strategic choices, a firm builds a sustainable connection that translates into long-term competitive value.

266. (B) SCM is a broader concept that includes logistics along with other activities like procurement and collaboration.
Supply Chain Management is a broader strategic concept compared to logistics. While logistics focuses specifically on the efficient flow and storage of goods and information, SCM encompasses the entire lifecycle of a product. This includes procurement, conversion, and logistics activities, along with essential coordination and collaboration with various external partners like suppliers, intermediaries, service providers, and final customers.

267. (B) To create and deliver superior value to the end customer.
The primary objective of Supply Chain Management is value creation through the delivery of superior value to the end customer. This goal is achieved by optimizing the entire chain rather than just minimizing isolated costs. By streamlining processes from procurement to distribution, firms can ensure that the final consumer receives the best possible experience, thereby building sustainable advantages.

268. (A) The pursuit of enhanced customer service and operational efficiency.
Successful Supply Chain Management is driven by the continuous pursuit of operational efficiency and enhanced customer service. Companies strive to reduce costs throughout the network while simultaneously improving the speed and reliability of delivery to the purchaser. Balancing these priorities allows firms to operate more effectively and meet the evolving demands of the market, which is essential for success.

NODIA

269. (C) The creation of a sustainable competitive advantage.
An effective supply chain design structures the network of facilities and distribution options to perform procurement, manufacturing, and distribution functions efficiently. This strategic layout is fundamental to creating a sustainable competitive advantage. By optimizing how goods move through the system, a company can deliver better value and respond more effectively to market needs than competitors with less efficient networks.

270. (D) Competitors.
Supply Chain Management emphasizes coordination and collaboration with various channel partners to ensure smooth operations. The passage specifically mentions suppliers, intermediaries, third-party service providers, and customers as key partners in this collaborative process. However, it does not include competitors as partners within the standard supply chain network, as the focus is on entities that help deliver value.

271. (C) Personal selling allows for a dynamic two-way dialogue, while advertising does not.
Personal selling is distinguished from advertising by its interactive nature, allowing for a dynamic two-way dialogue between the salesperson and the prospective customer. This real-time interaction enables immediate feedback and customized communication. In contrast, advertising is typically a one-way, non-personal communication directed at a broad audience. The ability to engage in a direct conversation is the primary differentiator.

288. (B) Modern types of retail outlets.
Hypermarkets, supermarkets, and department stores are identified as modern types of retail outlets that have become more common in the organized sector. Unlike the traditional, small-scale 'kirana' stores, these large-format outlets provide a wide variety of goods and often offer a more structured shopping environment. Their growth is a key indicator of the ongoing modernization of the Indian retail market.

289. (D) Private labels.
The passage notes a growing consumer preference for private labels offered by large retailers. These products are developed by the retailers themselves and are popular because they provide a compelling combination of quality and value. As consumers become more price-conscious while still demanding good quality, private labels have become an important part of the modern retailer's product assortment and competitive strategy.

290. (A) Changing consumer lifestyles, rising incomes, and digitalization.
Several socio-economic factors are driving the transformation of the Indian retail sector. The text highlights changing consumer lifestyles, rising disposable incomes, and increasing digitalization as the primary catalysts for these trends. These forces compel retailers to innovate continuously and adapt their business models to meet the expectations of a more affluent, tech-savvy, and lifestyle-oriented population in a dynamic market environment.

291. (C) The development and promotion of environmentally safe products and services.
Green marketing is defined as the development and promotion of products and services that are presumed to be environmentally safe. Beyond being a simple promotional tactic, it represents a comprehensive corporate philosophy. This approach integrates environmental considerations into every stage of the marketing process, including product design, packaging, and communication, reflecting a firm's broader commitment to sustainability and ecological responsibility.

292. (A) E-marketing is a broader term that encompasses digital marketing.
The passage explains that e-marketing is a broad term referring to the use of the internet and digital media to achieve marketing objectives. It serves as an umbrella concept that encompasses the more specific practice of digital marketing. Digital marketing focuses on managing a company's presence through specific digital channels such as search engines, social media, email, and mobile applications.

293. (D) Direct marketing.
Direct marketing is characterized by its specific goal of eliciting a measurable response from a targeted group of consumers. Unlike broad advertising, it uses direct channels such as mail, telemarketing, and personalized email to reach individuals. This approach is valued for its directness and the ability of marketers to track and measure the effectiveness of their communications with the target audience.

294. (B) Reflects a broader corporate philosophy integrating environmental concerns.
Green marketing is more than just a promotional tactic because it reflects a broader corporate philosophy that integrates environmental concerns into all aspects of a business. This integration affects everything from the initial design of a product to its packaging and how it is communicated to the public. It demonstrates a holistic commitment to environmental safety rather than just a superficial promotional message.

295. (C) Social media and search engines.
Digital marketing involves managing an organization's online presence through a variety of specific digital channels. The text mentions search engines, social media, email, and mobile apps as key platforms used in this practice. These channels allow companies to engage with their audience in a digital environment, facilitating more targeted and interactive communication compared to traditional, non-digital media formats.

296. (D) Selecting an appropriate entry mode.
When a firm decides to expand into international markets, its first and most significant strategic challenge is selecting an appropriate entry mode.

Downloaded from www.pdf.tube

280. (D) Human resource management and operations.
To ensure the consistent delivery of the brand promise, service marketing strategies must be integrated with human resource management and operations. Because service quality depends heavily on employee performance and delivery systems, these functional areas must work together. This coordination ensures that every customer contact point reflects the organization's standards for excellence and reliability, reinforcing the overall brand image.

281. (A) From a transactional focus to a relational focus.
Customer Relationship Marketing represents a strategic transition from a traditional transactional focus to a relational perspective. Rather than prioritizing individual, isolated sales, this approach emphasizes the process of building, maintaining, and enhancing long-term connections with customers. This shift reflects a move toward understanding customer value over time and cultivating loyalty through continuous interaction rather than focusing on short-term profits.

282. (B) To collect and analyse customer data for insights.
Technology plays a central role in the systematic CRM process by enabling the collection and analysis of vast amounts of customer data. These insights allow firms to understand consumer preferences and behaviours more deeply. By leveraging digital tools, companies can tailor their offerings and manage interactions across multiple touchpoints more effectively, ultimately improving the quality of the relationships they maintain.

283. (B) The customer's perception of the benefits received versus the costs incurred.
In the context of Customer Relationship Marketing, customer value is defined as the consumer's perception of the balance between the benefits they receive and the costs they incur. This value is not static; it is co-created through interactions and evolves as the relationship progresses. Firms strive to maximize this perceived value to ensure that the customer remains satisfied and loyal.

284. (A) Loyalty programs and personalized communication.
Customer Relationship Marketing utilizes various strategies to cultivate long-term loyalty, with loyalty programs and personalized communication being prominent examples. These tactics are designed to recognize and reward valuable customers while providing them with relevant information and offers. Other methods include proactive customer service and community building, all aimed at creating a deeper, more meaningful connection between the firm and individuals.

285. (C) An enhancement of customer lifetime value.
Successfully implementing a CRM process leads to significant long-term benefits, such as the enhancement of customer lifetime value. By focusing on retaining valuable customers through strong relationships, firms can ensure a steady stream of revenue over the duration of the customer's interaction with the brand. This strategy also increases retention rates and helps build a sustainable competitive advantage in the market.

286. (D) The rapid growth of organized retail and modern outlets.
A significant recent trend in the Indian retail landscape is the rapid growth of organized retail. This transformation involves the proliferation of modern retail formats like hypermarkets, supermarkets, and specialty stores alongside traditional outlets. These changes are particularly visible in urban and semi-urban areas, reflecting a shift in how goods are distributed and purchased as the retail sector modernizes.

287. (C) Integrating physical and online presences for a seamless customer experience.
Omnichannel retailing involves the strategic integration of a company's physical and online presences to provide a seamless customer experience. This approach allows consumers to interact with a brand across various platforms, such as browsing products online and purchasing them in a physical store. By unifying these different channels, retailers ensure that the customer journey is consistent and convenient across touchpoints.

NODIA

272. (B) The recruitment, training, and evaluation of salespeople.
Managing a sales force is an ongoing responsibility that includes several critical activities to ensure high performance. These continuous processes involve the recruitment and selection of talent, followed by comprehensive training and motivation programs. Additionally, managers must handle compensation structures and regularly conduct evaluations. These interconnected tasks are necessary to maintain a skilled and effective sales team for the organization.

273. (D) Better market coverage and specialization.
Companies organize their sales teams by territory, product, or customer type to achieve optimal market coverage and specialization. Each structure offers specific advantages; territorial divisions improve local presence, while product or customer-based structures allow for deeper expertise in specific offerings or market segments. This strategic alignment helps the sales force address the unique needs of different buyers more effectively.

274. (A) Complex, high-value products.
Personal selling is particularly vital for products that are complex and high in value. These types of offerings often require a salesperson to identify specific customer needs and provide detailed, tailored presentations. The interactive nature of the process allows for the real-time resolution of objections and the building of trust, which are essential when customers make significant financial commitments.

275. (C) To align sales activities with broader marketing and relationship goals.
The sales force serves as a critical link between an organization and its customers, fulfilling a strategic role that goes beyond simple transactions. Effective management ensures that sales activities are closely aligned with the company's broader marketing and relationship-building goals. This alignment ensures that the sales team not only persuades buyers but also contributes to long-term customer satisfaction and brand loyalty.

276. (A) Profitability.
The text identifies four unique characteristics that define services and differentiate them from physical goods: intangibility, inseparability, variability, and perishability. These traits present specific marketing challenges that require distinct strategic approaches. While profitability is a goal for service firms, it is not listed as one of the inherent characteristics that define the fundamental nature of a service performance or experience.

277. (D) Because the intangibility of services elevates the consumer's perceived risk.
Managing service quality is paramount because the intangibility of services means consumers cannot see or touch them before the purchase. This lack of physical evidence increases the perceived risk for the buyer. Therefore, service firms must focus on delivering consistent quality in both the outcome and the delivery process to build trust and reduce uncertainty for their potential customers.

278. (B) Tangibilize the offering and build consumer trust.
A strong brand for a service firm acts as a vital promise of consistent quality, which helps to tangibilize an otherwise intangible offering. By providing a recognizable identity and reputation, the brand builds consumer trust and reduces the uncertainty associated with purchasing a performance or experience. This branding effort is essential for establishing a reliable image in the minds of customers.

279. (C) A service brand is linked to employee performance, while a product brand is attached to an item.
A major distinction exists between product and service branding based on the nature of the offering. A product brand is typically attached to a physical item, whereas a service brand is inextricably linked to the performance of the organization's employees and systems. This means that for service firms, the brand promise is realized through human interactions and operational efficiency during delivery.

Click Here to Buy book on Amazon

This decision is critical because it determines the level of commitment, risk, control, and profit potential for the venture. The choice requires a thorough analysis of market factors and the firm's own resources to ensure successful international expansion.

297. (A) High-commitment and high-involvement.
Joint ventures and direct investment are classified as high-commitment and high-involvement entry modes. Unlike lower-risk options such as exporting or licensing, these strategies require significant resources and direct involvement in the host country, such as establishing local manufacturing or assembly facilities. These methods offer greater control over operations and higher profit potential but also carry increased levels of strategic risk.

298. (B) Whether to standardize or adapt the marketing mix.
The core dilemma in planning an international marketing mix is the choice between standardization and adaptation. Firms must decide whether to use a uniform marketing approach globally to gain efficiency and maintain a consistent image, or to adapt their products, prices, and promotions to suit local cultural nuances and preferences. Balancing these two opposing strategies is essential for optimizing global performance.

299. (B) The presence of unique local needs and cultural nuances.
The decision to adapt the marketing mix in an international context is primarily driven by the unique needs, preferences, and cultural nuances of each local market. By tailoring product features, pricing, and promotional messages, a firm can better appeal to local consumers and compete effectively against regional rivals. This localization strategy acknowledges that consumer behaviour often varies significantly across national borders.

300. (A) The political and economic stability of the host country.
Choosing an entry mode for international expansion depends on a careful analysis of various external and internal factors. The passage specifically mentions that the political and economic stability of the host country is a key consideration in this decision. Other important factors include the overall market size, the competitive landscape, and the firm's specific resources and long-term objectives for venturing abroad.

www.nodia.in

Downloaded from www.pdf.tube

levels of uncertainty when trying to evaluate a service's quality in advance. To address this, firms must use tangible cues, such as professional-looking facilities, high-quality documentation, and strong brand imagery, to provide physical evidence of the intangible service. By making the experience more concrete, companies can build trust and reduce perceived risk for the customer.

242. (B) A strategic, tech-enabled approach to managing customer data.
A customer relationship management system is a comprehensive strategic approach that uses modern technology to manage a company's interactions with both current and potential customers. It involves the systematic collection and analysis of customer data from various touchpoints to gain deep insights into their behaviors and needs. By using these insights, businesses can personalize their marketing, improve customer service, and build long-term loyalty. CRM is far more than just a software tool; it is a customer-centric philosophy that integrates people, processes, and technology to maximize the profitability of every relationship.

243. (A) P-4, Q-2, R-1, S-3
Emerging marketing concepts use different tools and focuses to reach modern consumers. Digital marketing is a broad term for using various digital channels, while green marketing focuses on promoting products based on their environmental benefits. Direct marketing involves communicating directly with individuals to elicit an immediate and measurable response. E-marketing specifically refers to marketing activities conducted using internet-based technologies. Understanding these distinctions is essential for marketers to develop comprehensive strategies that leverage the power of technology and address growing social and environmental concerns in today's marketplace.

244. (B) The path that goods take to move from the producer to the final consumer.
A channel of distribution, also known as a marketing channel, is the specific path through which goods and services move from the original producer to the final consumer. This channel can involve various intermediaries, such as wholesalers, distributors, and retailers, who perform essential functions like storage, transportation, and sales. Selecting the right distribution strategy is a critical marketing decision, as it determines how easily customers can access the product. Efficiently managing these channels ensures that products are available at the right time and place to satisfy market demand and maximize sales.

NODIA

245. (A) To create a distinct identity and position for a product or service in the minds of consumers.
The primary objective of a branding strategy is to create a unique and memorable identity for a product or service that differentiates it from competitors. By establishing a clear position in the minds of consumers, a brand helps shoppers recognize the offering and associate it with specific benefits and values. This distinct identity builds trust and emotional connection, which are essential for fostering long-term customer loyalty. A strong branding strategy allows a company to charge premium prices, maintain higher margins, and protect its market share from competitive actions in a crowded and complex marketplace.

246. (B) Product sales force structure.
In a product sales force structure, the sales team is organized based on the company's different product lines, with each salesperson specializing in selling only a specific portion of the total offering. This approach is highly effective for companies with complex, highly technical, or unrelated products that require deep specialized knowledge. By focusing on a narrow range of items, salespeople can become experts, providing superior information and service to their customers. This specialization ensures that each product line receives dedicated attention and expertise, although it can be more expensive than simpler territorial structures.

247. (C) Loyal, long-term customers are often the most profitable.
A fundamental principle of customer relationship management is that loyal, long-term customers are typically the most profitable segment for a company. These customers are often easier and cheaper to serve because they are already familiar with the firm's products and processes. Furthermore, they are less sensitive to price increases and more likely to purchase a wider variety of offerings through cross-selling. Most importantly, retaining an existing

(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

10. Which sampling technique gives every member of the population an equal and independent chance of being selected?
(A) Simple random sampling
(B) Quota sampling
(C) Judgmental sampling
(D) Convenience sampling

11. A list of all the items in a population from which a sample is to be drawn is known as a:
(A) Sampling unit
(B) Population parameter
(C) Sample statistic
(D) Sampling frame

12. Stratified random sampling involves which of the following processes?
(A) Selecting every nth element from a list after a random start.
(B) Sampling randomly from homogeneous subgroups of a population.
(C) Selecting respondents based on their immediate ease of availability.
(D) Dividing the population into areas and selecting entire clusters.

13. Match List I with List II.
List I: (Sampling Technique)
P. Cluster Sampling
Q. Systematic Sampling
R. Quota Sampling
S. Snowball Sampling
List II: (Description)
1. Selecting every kth element of the population.
2. Population is divided into groups, and a sample of groups is selected.
3. Initial respondents are asked to recommend others.
4. A non-probability equivalent of stratified sampling.
Codes:
(A) P-2, Q-1, R-4, S-3
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-3, R-1, S-2
(D) P-2, Q-4, R-3, S-1

14. What is a Type I error in hypothesis testing?
(A) Accepting a false null hypothesis.
(B) Rejecting a false null hypothesis.
(C) Accepting a true null hypothesis.
(D) Rejecting a true null hypothesis.

15. In hypothesis testing, the procedure typically starts with which of the following steps?
(A) Formulating the null and alternative hypotheses.
(B) Collecting the sample data.
(C) Calculating the test statistic.
(D) Determining the level of significance.

16. A Z-test is most appropriate for hypothesis testing under which of the following conditions?
(A) Small sample size ($n < 30$) and unknown population variance.
(B) Large sample size and known or assumed population variance.
(C) Comparison of variances between two independent populations.
(D) Categorical data analysis within a complex contingency table.

17. Which of the following statements about hypothesis testing is incorrect?
(A) The null hypothesis represents the status quo or no effect.
(B) Level of significance is the probability of a Type II error.
(C) Alternative hypothesis is what the researcher tries to prove.
(D) p-value less than significance leads to rejecting the null.

18. A Chi-square (χ^2) test is primarily used for:
(A) Testing goodness of fit or association between categorical variables.
(B) Comparing the means of two small samples with unknown variance.
(C) Testing the linear relationship between two continuous variables.
(D) Testing the difference between two population variance estimates.

19. Consider the following statements regarding aspects of Hypothesis Testing:
(a) A t-test is used when the population standard deviation is unknown and the sample size is small.

Click Here to Buy book on Amazon

(b) An F-test is used to compare the means of more than two groups (ANOVA).
(c) A Type II error is also known as a 'false positive'.
(d) The Z-test assumes the data follows a normal distribution.
(e) The Chi-square test can be used to test hypotheses about a population proportion.
Which of the above statement(s) is/are correct?
Choose the correct option:
(A) Only (a), (b), and (d) are correct.
(B) Only (a), (c), and (e) are correct.
(C) Only (b), (d), and (e) are correct.
(D) Only (c) is incorrect.

20. A F-test in the context of ANOVA (Analysis of Variance) is used to test the hypothesis about:
(A) The equality of two population variances.
(B) The relationship between two categorical variables.
(C) The mean of a single population when the variance is unknown.
(D) The equality of more than two population means.

21. What does a correlation coefficient of -1 indicate?
(A) A perfect positive linear relationship between two variables.
(B) No linear relationship between two variables.
(C) A perfect negative linear relationship between two variables.
(D) A weak negative linear relationship between two variables.

22. Given below are two statements:
Statement I: Correlation analysis establishes the cause-and-effect relationship between two variables.
Statement II: Regression analysis can be used to predict the value of a dependent variable based on the value of an independent variable.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

23. In the regression equation $Y = a + bX$, what does the coefficient 'b' represent?
(A) The intercept of the regression line on the Y-axis.
(B) The correlation coefficient between X and Y.
(C) The value of Y when X is equal to zero.
(D) The Y-change per one-unit change in X.

NODIA

24. Which of the following is NOT a primary role of Operations Management?
(A) Developing and executing the company's long-term financial strategy.
(B) Designing and managing the process of creating goods and services.
(C) Managing the supply chain from suppliers to customers.
(D) Ensuring that business operations are efficient and effective.

25. The scope of Operations Management encompasses which of the following functions?
(a) Product and service design
(b) Quality management
(c) Inventory management
(d) Facility location and layout
Which of the above statement(s) is/are correct?
Choose the correct option:
(A) (a) and (b) only
(B) (a), (b), and (c) only
(C) (c) and (d) only
(D) (a), (b), (c), and (d)

26. Which factor is generally considered qualitative in site selection analysis for a new facility?
(A) Community attitude and quality of life
(B) Transportation costs
(C) Labor costs
(D) Availability of raw materials

27. A process layout is most suitable for which of the following situations?
(A) Mass production of a single standardized product.
(B) Projects that are large and cannot be moved, like building a ship.
(C) Assembly line operations like in an automobile factory.
(D) Production of a variety of products in low volumes.

28. Which of the following is a primary objective of facility layout design?
(A) To maximize the distance materials have to be moved between areas.

(B) To minimize handling costs, movement, and production bottlenecks.
(C) To create a complex workflow that competitors find difficult to copy.
(D) To isolate departments from each other to reduce staff communication.

29. An Enterprise Resource Planning (ERP) system is best described as:
(A) Specialized software for managing customer relationships exclusively.
(B) Hardware system used for storing large amounts of company data.
(C) Integrated applications used to manage and interpret business data.
(D) A standalone accounting software package used for internal audits.

30. Which of the following is typically considered a core ERP module?
(A) Social Media Management
(B) Event Planning
(C) Graphic Design
(D) Human Resources

31. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Successful ERP implementation often requires significant business process re-engineering.
Reason (R): ERP systems are built on best practices that may not align with a company's existing, unique processes.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

32. The process of assigning jobs to work centers or machines in operations management is known as:
(A) Sequencing
(B) Loading
(C) Monitoring
(D) Dispatching

33. Which sequencing rule gives priority to the job that has the earliest due date?
(A) FCFS (First-Come, First-Served)
(B) EDD (Earliest Due Date)
(C) SPT (Shortest Processing Time)
(D) LPT (Longest Processing Time)

34. The 'monitoring' phase of scheduling primarily involves:
(A) Determining the order in which jobs will be processed.
(B) Allocating resources and capacity to different tasks.
(C) Tracking the progress of jobs and comparing it against the plan.
(D) Creating the initial production schedule.

35. The primary goal of Statistical Quality Control (SQC) is to:
(A) Inspect every single unit produced to ensure 100% quality.
(B) Replace manual inspection with automated systems.
(C) Monitor and control a process to ensure it operates at its full capability.
(D) Punish workers who produce defective items.

36. A Quality Circle is best described as:
(A) Top executives who set the primary quality policy of the organization.
(B) Employees who meet voluntarily to solve work-related quality problems.
(C) A mandatory meeting for all staff to discuss generic quality issues.
(D) Team of external consultants hired to audit a company's quality system.

37. The philosophy of 'KAIZEN' is centered on the principle of:
(A) Radical, one-time innovation.
(B) Achieving near-perfect quality by eliminating defects.
(C) Meeting a set of internationally agreed standards.
(D) Continuous, incremental improvement involving everyone.

38. Which of the following quality management concepts involves comparing an organization's processes and performance metrics to the best-in-class from other companies?
(A) Benchmarking

Downloaded from www.pdf.tube

(B) Six Sigma
(C) KAIZEN
(D) Quality Circles

39. The Six Sigma methodology aims to reduce defects to a level of no more than:
(A) 100 defects per million opportunities (DPMO).
(B) 1,000 defects per million opportunities (DPMO).
(C) 3.4 defects per million opportunities (DPMO).
(D) 6 defects per million opportunities (DPMO).

40. Arrange the phases of the Six Sigma DMAIC cycle in the correct chronological order:
(a) Analyze
(b) Control
(c) Define
(d) Improve
(e) Measure
Which of the following represents the correct chronological order?
Choose the correct option:
(A) (c), (e), (a), (d), (b)
(B) (c), (a), (e), (d), (b)
(C) (a), (b), (c), (d), (e)
(D) (e), (c), (a), (d), (b)

41. What is the primary focus of the ISO 9000 series of standards?
(A) Environmental management systems.
(B) Financial auditing procedures.
(C) Quality management systems.
(D) Occupational health and safety.

42. In Operation Research, the Transportation Problem is a special type of linear programming problem where the objective is to:
(A) Minimize the cost of shipping goods from a set of sources to a set of destinations.
(B) Maximize the total travel time from sources to destinations.
(C) Determine the optimal number of sources and destinations.
(D) Find the shortest route that visits each destination once.

43. Which of the following is NOT a method to find an initial basic feasible solution for a transportation problem?
(A) North-West Corner Method
(B) Least Cost Method
(C) Simplex Method
(D) Vogel's Approximation Method (VAM)

44. Queuing theory in Operation Research is used to analyze:
(A) The sequence of jobs on a machine.
(B) The physical layout of a facility.
(C) The critical path in a project network.
(D) Waiting lines and the provision of service to customers.

45. Which of the following statements correctly differentiates PERT and CPM?
(A) PERT is activity-oriented, while CPM is event-oriented in structure.
(B) PERT is deterministic, while CPM is probabilistic in its methodology.
(C) PERT uses three time estimates, while CPM typically uses only one.
(D) PERT is for known project times, while CPM is for uncertain projects.

46. In PERT/CPM analysis, the 'Critical Path' is the sequence of activities that:
(A) Has the maximum total slack time.
(B) Has zero slack and represents the longest path through the network.
(C) Is the shortest path through the network.
(D) Includes all activities with the highest cost.

47. The concept of 'Decision Theory' in Operation Research deals with:
(A) Optimizing the transportation of goods.
(B) Managing inventory levels.
(C) Sequencing tasks in a project.
(D) Making choices under conditions of certainty, risk, and uncertainty.

48. A company is deciding whether to launch a new product. They know the probabilities of the product being a high, medium, or low success. This is an example of decision making under:
(A) Risk
(B) Certainty
(C) Uncertainty
(D) Conflict

49. Consider the following statements regarding Total Quality Management (TQM):

NODIA

(a) It is a management philosophy focused on customer satisfaction.
(b) It involves only the quality control department.
(c) It emphasizes continuous improvement.
(d) It requires strong leadership commitment and employee empowerment.
(e) It is a short-term program to fix quality problems.
Which of the above statement(s) is/are correct?
Choose the correct option:
(A) (a), (c), and (d) only
(B) (b), (c), and (e) only
(C) (a), (b), and (c) only
(D) All are correct

50. Match List I with List II.
List I: (Concept)
P. Exponential Distribution
Q. Binomial Distribution
R. Normal Distribution
S. Poisson Distribution
List II: (Key Feature)
1. Fixed number of independent trials
2. Bell-shaped and symmetric
3. Models time between events
4. Mean equals variance
Codes:
(A) P-1, Q-2, R-4, S-3
(B) P-3, Q-1, R-2, S-4
(C) P-2, Q-3, R-1, S-4
(D) P-3, Q-4, R-2, S-1

51. The square of the standard deviation is known as:
(A) The coefficient of variation
(B) The range
(C) The variance
(D) The mean deviation

52. In data collection, a "pilot study" is conducted to:
(A) Test the questionnaire and research design on a small scale.
(B) Collect the final data for the research.
(C) Analyze data that has already been collected by others.
(D) Formulate the initial research hypothesis.

53. Which of the following is an example of a non-probability sampling technique?
(A) Stratified sampling
(B) Cluster sampling
(C) Judgmental sampling
(D) Systematic sampling

54. The probability of committing a Type II error is denoted by:
(A) α (alpha)
(B) $1 - \beta$
(C) p-value
(D) β (beta)

55. If the calculated value of a test statistic falls in the rejection region, the conclusion is to:
(A) Accept the null hypothesis.
(B) Revise the alternative hypothesis.
(C) Reject the null hypothesis.
(D) Decrease the sample size.

56. In regression analysis, the coefficient of determination (R^2) measures:
(A) The strength and direction of the linear relationship between two variables.
(B) The proportion of Y-variance explained by the independent variables.
(C) The standard error of the estimate within the specific linear model.
(D) The significance of the regression model for predictive data analysis.

57. A product layout, also known as an assembly line layout, is characterized by:
(A) A high degree of flexibility to produce a wide variety of products.
(B) The product remaining in one place while resources are brought to it.
(C) Sequential machines dedicated to a single standardized product.
(D) The grouping of similar machines or specialized functions together.

58. One of the major challenges of ERP implementation is:
(A) Costs and staff resistance.
(B) Lack of software vendors.
(C) Hardware incompatibility.
(D) Limited module functions.

59. The "SPT" (Shortest Processing Time) sequencing rule is known to be optimal for:
(A) Minimizing the maximum lateness of any

Click Here to Buy book on Amazon

specific individual job.
(B) Minimizing average flow time and average jobs in the system.
(C) Ensuring all production jobs are completed by their specified due dates.
(D) Maximizing the utilization of the primary bottleneck manufacturing machine.

60. Which quality tool is used to distinguish between common cause variation and special cause variation in a process?
(A) Flowchart
(B) Control Chart
(C) Fishbone Diagram
(D) Pareto Chart

61. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): KAIZEN is a philosophy of making small, ongoing, positive changes.
Reason (R): The KAIZEN approach believes that massive, revolutionary changes are more effective than small, incremental improvements.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

62. The process of identifying the best performer for a particular process and using it as a standard to improve one's own performance is known as:
(A) ISO 9000 certification
(B) Six Sigma implementation
(C) Benchmarking
(D) Total Quality Management

63. What is the key characteristic of the exponential distribution in probability theory?
(A) It has a memoryless property.
(B) It is a discrete distribution.
(C) Its mean is always greater than its variance.
(D) It is always symmetric.

64. Which of the following is NOT a measure of central tendency?
(A) Mean
(B) Median
(C) Mode
(D) Standard Deviation

65. A "leading question" in a questionnaire is a question that:
(A) Comes first in the survey.
(B) Is difficult to answer.
(C) Is worded in a way that suggests a particular answer.
(D) Can be answered with a simple "yes" or "no".

NODIA

66. What is the fundamental difference between a parameter and a statistic?
(A) A parameter describes a sample, while a statistic describes a population.
(B) A parameter describes a population, while a statistic describes a sample.
(C) A parameter is a continuous variable, while a statistic is a discrete variable.
(D) There is no difference; the terms are interchangeable.

67. Arrange the following steps in the sampling process in their logical order:
(a) Define the target population
(b) Select the sampling technique
(c) Determine the sample size
(d) Identify the sampling frame
(e) Execute the sampling plan
Which of the following represents the correct sequence?
Choose the correct option:
(A) (a), (d), (b), (c), (e)
(B) (a), (b), (c), (d), (e)
(C) (d), a), (b), (c), (e)
(D) (b), (d), (a), (c), (e)

68. An F-test is based on the ratio of:
(A) Two sample means
(B) Two sample variances
(C) Two population means
(D) Two population standard deviations

69. Identify the incorrect statement regarding correlation analysis.
(A) A correlation coefficient of 0 implies that there is no relationship between the variables.
(B) The correlation coefficient ranges from -1 to +1.
(C) Correlation does not imply causation.

(D) The sign of the correlation coefficient indicates the direction of the relationship.

70. The strategic decisions in Operations Management primarily deal with:
(A) Day-to-day scheduling of workers.
(B) Controlling quality on the shop floor.
(C) Managing inventory levels for a specific product.
(D) Long-term issues like facility location, capacity, and technology.

71. A fixed-position layout would be most appropriate for manufacturing which of the following?
(A) Laptops
(B) Soft drinks
(C) Aircraft carriers
(D) Custom furniture

72. What does the "implementation" phase of an ERP project primarily involve?
(A) Only the selection of the primary ERP software vendor.
(B) Planning, installation, configuration, training, and go-live.
(C) Post-launch maintenance and technical support of the system.
(D) Initial financial justification for purchasing the software suite.

73. The primary objective of "sequencing" in production scheduling is to:
(A) Assign tasks to various workstations.
(B) Determine the order in which jobs are to be processed at a work center.
(C) Monitor the progress of the jobs.
(D) Balance the workload among different machines.

74. Consider the following statements regarding the key principles of Total Quality Management (TQM):
(a) Customer focus
(b) Process-centered
(c) Total employee involvement
(d) Fact-based decision making
(e) Continuous improvement
Which of the above statement(s) is/are correct?
Choose the correct option:
(A) (a), (b), and (c) only
(B) (c), (d), and (e) only
(C) (a), (c), and (e) only
(D) All (a), (b), (c), (d), and (e) are correct.

75. The ISO 9000:2015 standard is based on a number of quality management principles, including:
(A) Customer focus and leadership
(B) Sole focus on financial profit
(C) Rapid product obsolescence
(D) Hierarchical command and control

76. In queuing theory, which of the following is NOT a component of a basic queuing system?
(A) Arrival process
(B) Critical path
(C) Service mechanism
(D) Queue discipline

77. Decision making under 'uncertainty' implies that the decision-maker:
(A) Knows the possible outcomes and the probabilities of their occurrence.
(B) Knows with certainty which single outcome will occur.
(C) Has no information about any possible outcomes.
(D) Knows the possible outcomes but does not know the probabilities of their occurrence.

78. Slack time in a PERT/CPM network is the amount of time that:
(A) An activity can be delayed without delaying the entire project.
(B) Is the difference between the earliest start and latest finish times.
(C) Is always zero for all activities.
(D) The project is expected to be delayed.

NODIA

79. Given below are two statements:
Statement I: The range is the simplest measure of dispersion and is highly sensitive to outliers.
Statement II: The standard deviation is measured in the same units as the original data.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

80. A Binomial distribution is characterized by which of the following properties?

processes.
(b) It is typically a quick and inexpensive process.
(c) Top management support is crucial for its success.
(d) It eliminates the need for all other software in a company.
(e) Employee training is a critical component of the implementation project.

Which of the above statement(s) is/are correct?
Choose the correct option:
(A) (a), (c), and (e) only
(B) (b), (d), and (e) only
(C) (a), (b), and (c) only
(D) All are correct

101. A measure of dispersion that represents the average squared deviation from the mean is the:
(A) Range
(B) Standard Deviation
(C) Variance
(D) Quartile Deviation

102. In a Poisson distribution, if the mean rate of occurrence (λ) is known, what is its variance?
(A) λ
(B) 2λ
(C) λ^2
(D) $\sqrt{\lambda}$

103. "Do you use our company's excellent customer service?" is an example of what type of error in questionnaire design?
(A) Double-barreled question
(B) Ambiguous question
(C) Leading/Biased question
(D) Technical jargon

104. Which of the following correctly pairs a concept with its definition?
(A) Population - A subset of units selected from the sampling frame.
(B) Sample - The complete set of items that share at least one common characteristic.
(C) Sampling Frame - A list from which a sample is to be drawn.
(D) Statistic - A numerical characteristic of a population.

105. Given below are two statements:
Statement I: The power of a statistical test is the probability of correctly rejecting a false null hypothesis.
Statement II: The power of a test is equal to 1 - α, where α is the level of significance.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

106. In the context of Operations Management, which decision has the longest time horizon?
(A) Job sequencing
(B) Inventory control
(C) Facility location
(D) Worker scheduling

107. Arrange the following steps of facility layout design in a logical sequence:
(a) Collect data and analyze
(b) Formulate the problem
(c) Evaluate alternatives and select a layout
(d) Develop alternative layout proposals
(e) Implement the selected layout

Which of the following represents the correct sequence?
Choose the correct option:
(A) (b), (a), (d), (c), (e)
(B) (a), (b), (d), (c), (e)
(C) (b), (d), (a), (c), (e)
(D) (a), (d), (b), (c), (e)

108. A cellular layout in a manufacturing facility aims to:
(A) Group machines into cells for families of similar parts.
(B) Arrange all machines in a long line by processing steps.
(C) Group similar machines, like lathes, in one department.
(D) Bring all resources to a stationary large-scale product.

109. Which ERP module is responsible for managing an organization's procurement, production, and distribution logistics?
(A) Human Capital Management (HCM)
(B) Customer Relationship Management (CRM)
(C) Supply Chain Management (SCM)
(D) Financial Management

Downloaded from www.pdf.tube

(C) Develop
(D) Deploy

89. The North-West Corner rule for solving a transportation problem is known for its:
(A) High degree of mathematical optimality and procedural complexity.
(B) Ability to find the final optimal solution in the first step.
(C) Simplicity but often yields a high-cost initial solution.
(D) Strategic focus on minimizing costs by selecting low-cost cells.

90. The critical path of a project network is significant because activities on this path have:
(A) The largest amount of slack.
(B) The lowest cost.
(C) The highest probability of being delayed.
(D) Zero slack.

91. The median is a better measure of central tendency than the mean when:
(A) The data is categorical.
(B) The distribution of data is symmetric.
(C) The data contains significant outliers.
(D) The sample size is very large.

92. Which of the following is a characteristic of the Normal Distribution curve?
(A) It is skewed to the right.
(B) It is asymptotic to the x-axis.
(C) The total area under the curve is less than 1.
(D) The mean is always greater than the median.

93. Using university students for a survey because they are readily available is an example of which sampling method?
(A) Simple random sampling
(B) Convenience sampling
(C) Stratified sampling
(D) Cluster sampling

94. If a regression model has a high R-squared value, it implies that:
(A) The independent variable causes the dependent variable to change.
(B) The model is a good fit, with the independent variable explaining a large portion of the variation in the dependent variable.
(C) The correlation between the variables is negative.
(D) There is no relationship between the variables.

95. What is the main purpose of "loading" in the context of scheduling?
(A) To determine the sequence of job processing.
(B) To assign specific jobs to specific work centers or machines.
(C) To monitor the progress of work.
(D) To expedite late jobs.

96. Identify the correct pair from the following:
(A) KAIZEN – Radical innovation
(B) Six Sigma – Focus on employee involvement groups
(C) Benchmarking – Comparing against the best
(D) ISO 9000 – A defect reduction methodology

97. Vogel's Approximation Method (VAM) is used in Operation Research to:
(A) Solve queuing problems.
(B) Find an initial feasible solution for a transportation problem that is close to optimal.
(C) Identify the critical path in a project.
(D) Make decisions under uncertainty.

98. Which of the following statements about the PERT methodology is correct?
(A) It is best suited for repetitive projects with well-known task durations.
(B) It uses a single time estimate for each project activity.
(C) It is probabilistic and allows for uncertainty in activity time estimates.
(D) It is primarily focused on minimizing project costs.

NODIA

99. A hospital wants to analyze waiting times in its emergency room. The most relevant Operation Research technique to apply would be:
(A) Transportation model
(B) PERT/CPM
(C) Queuing theory
(D) Decision theory

100. Consider the following statements regarding ERP implementation:
(a) It often leads to standardization of business

(a) The experiment consists of n identical trials.
(b) Each trial has only two possible outcomes, success or failure.
(c) The probability of success remains constant from trial to trial.
(d) The trials are independent.
Which of the above statement(s) is/are correct?
Choose the correct option:
(A) (a) and (b) only
(B) (a), (b), and (c) only
(C) (c) and (d) only
(D) (a), (b), (c), and (d)

81. The process of dividing a heterogeneous population into homogeneous subgroups is a feature of which sampling technique?
(A) Simple random sampling
(B) Stratified sampling
(C) Systematic sampling
(D) Cluster sampling

82. In hypothesis testing, if the p-value is 0.04 and the significance level is 0.05, what is the appropriate decision?
(A) Reject the null hypothesis.
(B) Accept the null hypothesis.
(C) The test is inconclusive.
(D) Change the significance level to 0.01.

83. Match List I with List II.
List I: (Test)
P. t-test
Q. Z-test
R. Chi-square test
S. F-test (ANOVA)
List II: (Application)
1. Comparing means of three or more groups.
2. Testing association between categorical variables.
3. Comparing means of two small samples, population variance unknown.
4. Comparing means of two large samples, population variance known.
Codes:
(A) P-3, Q-4, R-2, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-3, R-1, S-2
(D) P-3, Q-1, R-4, S-2

84. What does a "process layout" in facility design involve?
(A) Arranging workstations in a sequence that a product follows during manufacturing.
(B) Grouping similar equipment or functions together.
(C) Keeping the product stationary and bringing tools and workers to it.
(D) Creating a single, long assembly line for all products.

85. Which of the following is a major benefit of implementing an ERP system?
(A) Increased data redundancy across departments.
(B) Improved data visibility and integration across the organization.
(C) Lower initial software and implementation costs compared to standalone systems.
(D) Quick and easy implementation with no employee training required.

86. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): A major goal of Operations Management is to achieve a balance between supply and demand.
Reason (R): Mismatches between supply and demand can lead to stockouts, lost sales, or excess inventory costs.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

87. Which of the following best defines "Statistical Quality Control"?
(A) The use of statistical methods to monitor and maintain the quality of products and services.
(B) A 100% inspection of all finished goods.
(C) A system where workers are solely responsible for quality.
(D) The process of achieving ISO 9000 certification.

88. The 'D' in the Six Sigma DMAIC process stands for:
(A) Define
(B) Design

Click Here to Buy book on Amazon

110. Which of the following is NOT a typical reason for ERP implementation failure?
(A) Lack of top management commitment.
(B) Inadequate employee training.
(C) Unrealistic expectations of benefits and timelines.
(D) The software having too many features.

111. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): A Gantt chart is a visual tool used for monitoring the progress of a schedule.
Reason (R): It displays planned and actual progress of various activities against a timeline.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

112. The "fishbone" or Ishikawa diagram is a quality management tool used for:
(A) Prioritizing problems to be solved.
(B) Identifying the root causes of a problem.
(C) Monitoring a process for variation over time.
(D) Charting the steps in a process.

113. Match List I with List II.
List I: (Quality Guru/Concept)
P. W. Edwards Deming
Q. Joseph M. Juran
R. Philip B. Crosby
S. Kaoru Ishikawa
List II: (Contribution)
1. Quality is Fitness for Use; Quality Trilogy
2. Quality is Free; Zero Defects
3. 14 Points for Management; PDCA Cycle
4. Cause-and-Effect Diagram; Quality Circles
Codes:
(A) P-1, Q-2, R-4, S-3
(B) P-3, Q-1, R-2, S-4
(C) P-4, Q-3, R-1, S-2
(D) P-3, Q-2, R-1, S-4

114. Which of the following statements about the ISO 9000 series is incorrect?
(A) It is a certification of a product's quality.
(B) It is a set of standards for quality management systems.
(C) It emphasizes documentation and process control.
(D) It requires regular audits to maintain certification.

115. A decision-making criterion where the decision-maker chooses the alternative that maximizes the minimum possible payoff is called:
(A) Maximin
(B) Maximax
(C) Minimax regret
(D) Laplace

116. Which of the following is a key characteristic of the Binomial distribution?
(A) It models the number of events in a fixed interval of time or space.
(B) The trials are dependent on each other.
(C) The number of trials is fixed.
(D) It is a continuous distribution.

NODIA

117. Which of the following is considered secondary data?
(A) Data collected through a survey for a specific research project.
(B) Data from a focus group conducted by the researcher.
(C) Data published in a government census report.
(D) Observations made by a researcher at a retail store.

118. In cluster sampling, the population is divided into groups, and then:
(A) A random sample of elements is selected from each group.
(B) All elements in randomly selected groups are included in the sample.
(C) A non-random sample is chosen from each group.
(D) The groups are selected based on convenience.

119. A t-test is used instead of a Z-test when:
(A) The sample size is large.
(B) The population standard deviation is unknown and the sample size is small.
(C) The data is categorical.
(D) The population standard deviation is known.

141. The Least Cost Method for solving a transportation problem involves:
(A) Starting at the top-left cell and allocating as much as possible.
(B) Allocating to the cell with the highest penalty cost first.
(C) Allocating as much as possible to the feasible cell with the lowest transportation cost.
(D) Randomly allocating units to various cells.

142. If an activity in a PERT network has zero slack, it means that:
(A) The activity is optional.
(B) The activity lies on the critical path.
(C) The activity has been completed ahead of schedule.
(D) The activity has a high risk of failure.

143. The "memoryless" property of the exponential distribution implies that:
(A) The probability of an event in the future is independent of how much time has already passed.
(B) The distribution has no mean or variance.
(C) The distribution can only be used for past events.
(D) The distribution is discrete, not continuous.

144. In a survey, asking respondents for their exact annual income is often considered sensitive. A better way to frame this question for a questionnaire is to:
(A) Insist on an exact number for accuracy.
(B) Ask for income in broad categories or ranges.
(C) Ask for their monthly expenditure instead.
(D) Skip the question entirely as it is too sensitive.

145. What is the fundamental difference between stratified sampling and cluster sampling?
(A) Stratified samples every group; cluster samples all elements in few groups.
(B) Stratified sampling is a probability method, while cluster sampling is not.
(C) Stratified samples every element in a few groups; cluster samples every group.
(D) Stratified sampling creates homogeneous groups; cluster sampling uses existing groups.

146. A p-value in hypothesis testing represents:
(A) The probability of making a Type I error.
(B) The probability of observing an extreme statistic if the null is true.
(C) The specific level of significance chosen by the lead researcher.
(D) The probability that the alternative hypothesis is mathematically true.

147. A "process layout" is also known as a:
(A) Functional layout
(B) Line layout
(C) Product layout
(D) Assembly line

148. Consider the following statements regarding the characteristics of Enterprise Resource Planning (ERP) Systems:
(a) They integrate business functions across a company.
(b) They use a central, common database.
(c) They are composed of standalone, non-communicating modules.
(d) Implementation is usually straightforward and requires little planning.
(e) They aim to provide a single source of truth for organizational data.
Which of the above statement(s) is/are correct? Choose the correct option:
(A) (a), (c), and (d) only
(B) (a), (b), and (e) only
(C) (c), (d), and (e) only
(D) All are correct.

149. The 'LPT' (Longest Processing Time) sequencing rule is sometimes used with the objective of:
(A) Minimizing average job flow time.
(B) Getting long jobs out of the way to free up capacity.
(C) Meeting all due dates.
(D) Minimizing the number of jobs in the system.

150. Arrange the following quality management concepts in the general order of their emergence or widespread adoption:
(a) Total Quality Management (TQM)
(b) Six Sigma
(c) Statistical Quality Control (SQC)
(d) Quality Circles
Which of the following represents the correct

Downloaded from www.pdf.tube

130. In PERT, the expected time (Te) of an activity is calculated using the formula:
(A) (O + 4M + P) / 6
(B) (O + M + P) / 3
(C) (O + 2M + P) / 4
(D) (O + 6M + P) / 8
(where O=Optimistic, M=Most likely, P=Pessimistic time)

131. The standard normal distribution has a mean and standard deviation of:
(A) Mean = 1, Standard Deviation = 0
(B) Mean = 0, Standard Deviation = 1
(C) Mean = 0, Standard Deviation = 0
(D) Mean = 1, Standard Deviation = 1

132. What is the most significant disadvantage of using the Range as a measure of dispersion?
(A) It is difficult to calculate.
(B) It is only affected by the two extreme values.
(C) It is measured in different units from the data.
(D) It cannot be used for continuous data.

133. Which of the following is an example of primary data collection?
(A) Reading a market research report from a consulting firm.
(B) Conducting a survey to gauge customer satisfaction.
(C) Analyzing sales data from the company's historical records.
(D) Using data from a trade association's website.

134. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): In stratified sampling, the population is divided into strata that are internally homogeneous.
Reason (R): This procedure ensures that the sample is more representative of the population, especially when there are distinct subgroups.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

135. A test that is used to determine if there is a significant association between two categorical variables is the:
(A) t-test
(B) F-test
(C) Chi-square test of independence
(D) Z-test

136. If two variables, X and Y, have a correlation coefficient of 0.8, it means that:
(A) There is a strong positive linear relationship between X and Y.
(B) There is a weak positive linear relationship between X and Y.
(C) 80% of the change in Y is caused by X.
(D) There is a strong negative linear relationship between X and Y.

137. Which of the following correctly lists the three major functional areas of a business organization that must work together?
(A) Marketing, Operations, Finance/ Accounting
(B) Human Resources, IT, Legal
(C) Sales, Research & Development, Public Relations
(D) Operations, Logistics, Engineering

NODIA

138. A restaurant that offers a wide variety of menu items, each cooked to order, would most likely use which type of layout?
(A) Product layout
(B) Fixed-position layout
(C) Process layout
(D) Cellular layout

139. The term "ERP" stands for:
(A) Enterprise Resource Planning
(B) Employee Response Protocol
(C) External Reporting Process
(D) Enterprise Risk Prevention

140. Which of the following quality improvement approaches uses the DMAIC (Define, Measure, Analyze, Improve, Control) framework?
(A) KAIZEN
(B) Total Quality Management
(C) Six Sigma
(D) ISO 9000

(D) It is very complex to implement.

183. Given below are two statements:
Statement I: Accepting a false null hypothesis is a Type II error.
Statement II: The probability of a Type II error is represented by α (alpha).
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

184. The analysis of the relationship between one dependent variable and one independent variable is known as:
(A) Simple linear regression
(B) Multiple regression
(C) Factor analysis
(D) Cluster analysis

185. Operations Management decisions can be classified into three levels. Which of the following represents these levels?
(A) Strategic, Tactical, Operational
(B) Small, Medium, Large
(C) Input, Process, Output
(D) Local, Regional, Global

186. Which of the following is a key goal of facility layout design?
(A) To facilitate the flow of information, materials, and people.
(B) To maximize the movement of materials.
(C) To ensure departments are isolated from one another.
(D) To increase the number of production bottlenecks.

187. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): ERP systems are designed to integrate data and processes across an entire organization.
Reason (R): A central database is a key component of an ERP system that enables data sharing and consistency.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

188. Which sequencing rule is generally best for minimizing average job lateness?
(A) FCFS (First-Come, First-Served)
(B) LPT (Longest Processing Time)
(C) SPT (Shortest Processing Time)
(D) EDD (Earliest Due Date)

189. A Pareto chart is a quality tool used to:
(A) Identify the most frequent or vital few causes of a problem.
(B) Show the relationship between two variables.
(C) Monitor a process over time.
(D) Illustrate the steps in a process.

190. Consider the following techniques for site selection and analysis:
(a) Factor-rating method
(b) Center-of-gravity method
(c) Transportation model
(d) Break-even analysis
(e) PERT/CPM method
Which of the above statement(s) is/are correct regarding valid techniques?
Choose the correct option:
(A) (a), (b), and (c) only
(B) (a), (b), (c), and (d) only
(C) (c), (d), and (e) only
(D) All are valid techniques.

191. The primary focus of Total Quality Management (TQM) is on:
(A) The quality of the final product only.
(B) Meeting the requirements of the customer.
(C) Reducing costs at any expense.
(D) The performance of the quality inspection department.

192. Which of the following best describes the role of a Quality Circle?
(A) A management-led team for implementing new policies.
(B) A group of workers who voluntarily meet to solve work-related quality problems.
(C) An external audit committee.
(D) A department responsible for product inspection.

Click Here to Buy book on Amazon

chronological sequence?
Choose the correct option:
(A) (c), (d), (a), (b)
(B) (a), (c), (d), (b)
(C) (d), b), (a), (c)
(D) (c), (a), (b), (d)

151. Which Operation Research technique would be most suitable for a manager who needs to decide which of several new products to launch, given uncertain market demand?
(A) Queuing theory
(B) Transportation model
(C) Decision theory
(D) PERT/CPM

152. In a positively skewed distribution, the relationship between mean, median, and mode is typically:
(A) Mean > Median > Mode
(B) Mean = Median = Mode
(C) Mean < Median < Mode
(D) Mode > Mean > Median

153. A sampling process where the probability of selection for each element is unknown is called:
(A) Probability sampling
(B) Random sampling
(C) Non-probability sampling
(D) Stratified sampling

154. Given below are two statements:
Statement I: The Chi-square test is a non-parametric test.
Statement II: Non-parametric tests do not make assumptions about the population distribution.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

155. In the regression equation Y = a + bX, 'a' represents the:
(A) Slope of the line.
(B) Y-intercept, which is the predicted value of Y when X is 0.
(C) Independent variable.
(D) Error term.

156. The transformational process in Operations Management is the part of the system that:
(A) Provides inputs like labor, capital, and information.
(B) Converts inputs into outputs (goods and services).
(C) Measures the performance of the system.
(D) Consumes the final goods and services.

157. An ERP module that deals with functions like payroll, benefits administration, and employee records is:
(A) Supply Chain Management (SCM)
(B) Customer Relationship Management (CRM)
(C) Human Capital Management (HCM) / Human Resources (HR)
(D) Financials

158. The primary goal of 'sequencing' is to determine the best order to process a set of jobs to optimize certain metrics. Which of the following is a common sequencing rule?
(A) Last-Come, First-Served (LCFS)
(B) Shortest Processing Time (SPT)
(C) Random Order
(D) Most Expensive Job First

159. Which of the following is NOT a core principle of TQM?
(A) Customer focus
(B) Continuous improvement
(C) Employee empowerment
(D) Focus on individual performance over team performance

160. Match List I with List II.
List I: (Term)
P. Statistical Quality Control
Q. Benchmarking
R. KAIZEN
S. Six Sigma
List II: (Associated Concept)
1. Continuous, incremental improvement
2. DMAIC process
3. Control Charts
4. Comparing with industry best practices
Codes:
(A) P-1, Q-2, R-3, S-4
(B) P-3, Q-4, R-1, S-2
(C) P-4, Q-3, R-2, S-1
(D) P-3, Q-1, R-4, S-2

Downloaded from www.pdf.tube

161. A key assumption in the basic queuing model (M/M/1) is that:
(A) Arrivals follow a normal distribution and service times are constant.
(B) Arrivals follow a Poisson distribution and service times follow an exponential distribution.
(C) Both arrivals and service times follow a uniform distribution.
(D) There are multiple servers available.

162. Which of the following scenarios is suitable for a Binomial distribution?
(A) The number of heads in 10 flips of a fair coin.
(B) The number of typos on a page.
(C) The time until the next customer arrives.
(D) The weight of a bag of apples.

163. Open-ended questions in a questionnaire are most useful for:
(A) Quantitative analysis and easy coding.
(B) Limiting the range of responses.
(C) Exploring qualitative insights and respondent's own words.
(D) Quick completion of the survey by the respondent.

164. "Snowball sampling" is a non-probability sampling technique that is particularly useful for:
(A) Selecting a large, representative sample of the general population.
(B) Reaching hard-to-find or hidden populations.
(C) Ensuring that every subgroup is proportionally represented.
(D) Giving every individual an equal chance of being selected.

165. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Rejecting a null hypothesis when it is actually true is a Type I error.
Reason (R): The probability of committing a Type I error is denoted by β (beta).
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

166. Which of the following is a key consideration in site selection for a new manufacturing plant?
(A) All of the above
(B) Proximity to markets
(C) Labor supply and cost
(D) Proximity to raw materials and suppliers

167. One of the main goals of Enterprise Resource Planning (ERP) is to:
(A) Facilitate information flow between all business functions.
(B) Create separate data silos for each department.
(C) Increase the complexity of business operations.
(D) Focus solely on automating the accounting function.

NODIA

168. In job scheduling, 'monitoring' refers to the activity of:
(A) Assigning jobs to machines.
(B) Tracking the status of jobs and identifying any delays or problems.
(C) Determining the processing order of jobs.
(D) Calculating the optimal number of jobs for a shift.

169. What does the term "Six Sigma" metaphorically refer to?
(A) A process that is six standard deviations from the mean.
(B) Having six levels of management approval for quality.
(C) A process where the nearest specification limit is at least six standard deviations away from the mean.
(D) A quality program that takes six years to implement.

170. Which statement best describes the philosophy of KAIZEN?
(A) Big results come from large, disruptive changes.
(B) Quality is the sole responsibility of the inspection department.
(C) Everyone should be involved in making small improvements on an ongoing basis.
(D) If a process is not broken, it should not be

fixed.

171. In decision theory, the 'maximax' criterion is a decision-making approach for an:
(A) Optimist
(B) Pessimist
(C) Avoider of regret
(D) Risk-neutral person

172. The central limit theorem states that the sampling distribution of the mean will be approximately normal if:
(A) The population is normally distributed, regardless of sample size.
(B) The sample size is sufficiently large (typically $n \geq 30$).
(C) Both (A) and (B) are conditions under which it applies.
(D) The sample size is small.

173. Consider the following steps in a typical hypothesis testing procedure:
(a) Formulate null and alternative hypotheses.
(b) Choose a level of significance.
(c) Collect data and compute the test statistic.
(d) Determine the critical value or p-value.
(e) Make a statistical decision.
Which of the above statement(s) is/are correct and in the proper sequence?
Choose the correct option:
(A) All (a), (b), (c), (d), and (e) are correct and in sequence.
(B) Only (a), (c), and (e) are part of the procedure.
(C) The sequence should be (c), (a), (b), (d), (e).
(D) Only (a) and (e) are necessary.

174. If the coefficient of determination (R^2) is 0.64, what is the value of the correlation coefficient (r)?
(A) 0.64
(B) 0.4096
(C) 0.8 or -0.8
(D) 0.36

175. The role of operations management is to create value. Which of the following is a way operations management creates value?
(A) By reducing the cost of operations, thereby increasing efficiency.
(B) By increasing the price of a product.
(C) By increasing advertising spending.
(D) By focusing only on financial reporting.

176. Which of the following is NOT a type of facility layout?
(A) Process Layout
(B) PERT Layout
(C) Product Layout
(D) Fixed-Position Layout

177. Which of the following is a common issue during ERP implementation?
(A) The system is too simple and lacks features.
(B) Business processes may need to be re-engineered to fit the ERP software.
(C) The software costs are always lower than expected.
(D) Employees adapt to the new system without any training.

178. The objective of loading in scheduling is to:
(A) Prioritize jobs.
(B) Check the progress of work.
(C) Assign work to work centers.
(D) Expedite jobs.

179. ISO 9000 is a set of standards related to:
(A) Environmental management
(B) Financial accounting
(C) Quality management
(D) Worker safety

180. The critical path in a CPM network is the path that:
(A) Is the shortest in duration.
(B) Is the longest in duration.
(C) Has the most number of activities.
(D) Has the most slack.

181. A distribution that has two modes is called:
(A) Unimodal
(B) Bimodal
(C) Multimodal
(D) Nonmodal

182. A major drawback of convenience sampling is that:
(A) The sample is unlikely to be representative of the population.
(B) It is very expensive and time-consuming.
(C) It requires a complete list of the population.

Click Here to Buy book on Amazon

120. A researcher wants to test if a new drug has an effect on blood pressure. The null hypothesis (H_0) would be:
(A) The new drug increases blood pressure.
(B) The new drug decreases blood pressure.
(C) The new drug has no effect on blood pressure.
(D) The new drug has some effect on blood pressure.

121. The correlation coefficient (r) measures the:
(A) Percentage of variation in Y explained by X.
(B) Strength and direction of the linear relationship between two variables.
(C) Slope of the regression line.
(D) Causal link between two variables.

122. Which of the following best describes the scope of Operations Management?
(A) It involves managing the transformation processes that create goods and services.
(B) It is limited to the manufacturing sector.
(C) It is primarily concerned with marketing and sales activities.
(D) It focuses only on the financial aspects of a business.

123. A "site analysis" for facility location would typically consider all of the following EXCEPT:
(A) Zoning regulations and taxes.
(B) Availability and cost of utilities.
(C) Environmental impact.
(D) The company's internal marketing slogan.

124. Consider the following statements regarding the potential disadvantages of an ERP system:
(a) High total cost of ownership.
(b) Difficulty in implementation.
(c) Resistance to change within the organization.
(d) Lack of flexibility in the system.
(e) Improved integration of business processes.
Which of the above statement(s) is/are correct? Choose the correct option:
(A) (a), (b), and (c) only
(B) (a), (b), (c), and (d) only
(C) (b), (c), and (e) only
(D) All are disadvantages.

125. The "First-Come, First-Served" (FCFS) sequencing rule is often perceived as fair, but it is not necessarily the most efficient in terms of:
(A) Minimizing average job completion time.
(B) Ensuring simplicity of implementation.
(C) Reducing customer complaints.
(D) Tracking job arrival times.

126. Total Quality Management (TQM) is a philosophy that is driven by:
(A) The quality control department.
(B) A long-term commitment to continuous improvement and customer satisfaction.
(C) Short-term financial goals.
(D) The need to meet minimum regulatory standards.

127. Which of the following is a primary characteristic of a Quality Circle?
(A) It is a temporary team formed by management to solve a specific, high-priority problem.
(B) Participation is mandatory for all employees in a department.
(C) It is a voluntary group of employees who meet regularly to discuss and solve work-related problems.
(D) Its recommendations are binding and must be implemented by management.

128. What is the fundamental idea behind Benchmarking?
(A) To innovate without looking at what others are doing.
(B) To set performance goals based on internal historical data only.
(C) To identify, understand, and adapt outstanding practices from others to improve performance.
(D) To ensure compliance with ISO 9000 standards.

129. The main objective of the Transportation model in Operations Research is to find a shipping plan that:
(A) Maximizes profits.
(B) Minimizes total transportation cost.
(C) Balances supply and demand.
(D) Reduces lead times.

NODIA

193. The purpose of benchmarking is to:
(A) Set easily achievable goals.
(B) Copy competitors' products exactly.
(C) Identify best practices to achieve performance improvements.
(D) Comply with legal requirements.

194. The DMAIC cycle is associated with which quality management methodology?
(A) KAIZEN
(B) TQM
(C) Six Sigma
(D) ISO 9000

195. Match List I with List II.
List I: (Operation Research Technique)
P. Transportation Model
Q. Queuing Theory
R. PERT/CPM
S. Decision Theory
List II: (Objective)
1. Manage project timelines and identify critical activities.
2. Make choices under conditions of uncertainty or risk.
3. Minimize the cost of shipping from multiple sources to multiple destinations.
4. Analyze and manage waiting lines.
Codes:
(A) P-3, Q-4, R-1, S-2
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-3, R-2, S-1
(D) P-3, Q-1, R-4, S-2

196. The "mode" of a dataset is defined as:
(A) The middle value.
(B) The arithmetic average.
(C) The most frequently occurring value.
(D) The difference between the highest and lowest values.

197. Which probability distribution is often used to model the time between events in a Poisson process?
(A) Binomial
(B) Normal
(C) Exponential
(D) Uniform

198. A 'closed' question in a questionnaire is one that:
(A) Is asked at the end of the survey.
(B) Has pre-defined response options for the respondent to choose from.
(C) Is personal and sensitive in nature.
(D) Cannot be answered.

199. A researcher wants to study the spending habits of college students. He selects 3 large universities in a city and surveys every student at those universities. This is an example of:
(A) Stratified sampling
(B) Systematic sampling
(C) Cluster sampling
(D) Quota sampling

200. In hypothesis testing, what does the term "level of significance" refer to?
(A) The probability of accepting a true null hypothesis.
(B) The importance of the research findings.
(C) The probability of rejecting a true null hypothesis (Type I Error).
(D) The power of the statistical test.

201. A cause-and-effect relationship between variables is best established through:
(A) Correlation analysis
(B) A controlled experiment
(C) Regression analysis
(D) Time-series analysis

202. The tactical decisions in Operations Management typically involve:
(A) Long-term capacity planning.
(B) Day-to-day scheduling of tasks.
(C) Intermediate-term decisions related to aggregate planning and inventory management.
(D) Deciding on the company's overall mission.

203. Which of the following correctly describes features or aspects of a Process Layout?
(a) High flexibility in equipment and labor assignments.
(b) Used for producing a high volume of a standardized product.
(c) Work-in-process inventory is typically high.
(d) Also known as a functional layout.
(e) Material handling is simple and follows a fixed path.
Which of the above statement(s) is/are correct?

Downloaded from www.pdf.tube

Choose the correct option:
(A) (a), (c), and (d) only
(B) (b), (d), and (e) only
(C) (a), (b), and (c) only
(D) All are correct.

204. The final phase of an ERP implementation, where the new system is turned on and the old system is turned off, is known as:
(A) The analysis phase
(B) The design phase
(C) The go-live phase
(D) The selection phase

205. The 'critical ratio' is a sequencing rule used when:
(A) Processing times are the most important factor.
(B) Due dates are important and processing times are known.
(C) Jobs have different profit margins.
(D) There are multiple machines in the work center.

206. Which of the following is NOT a benefit of a well-implemented TQM program?
(A) Improved customer satisfaction
(B) Higher employee morale
(C) Increased rework and scrap
(D) Enhanced market image

207. Functional benchmarking involves comparing a specific business process to:
(A) A similar process within the same company.
(B) The same process in a direct competitor's company.
(C) The best-in-class process, regardless of the industry.
(D) Historical performance of the same process.

208. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): The ISO 9000 series is an award for superior product quality.
Reason (R): It is a certification that an organization's quality management system meets a set of specified requirements.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

209. A manager trying to balance the cost of waiting with the cost of service would use which OR technique?
(A) PERT
(B) Transportation Model
(C) Queuing Theory
(D) Decision Theory

210. What is the main difference between PERT and CPM?
(A) PERT focuses on cost, while CPM focuses on time.
(B) PERT uses probabilistic time estimates, while CPM uses deterministic time estimates.
(C) PERT is used for construction projects, while CPM is used for research projects.
(D) PERT is a more recent technique than CPM.

211. Which measure of central tendency is the value that separates the higher half from the lower half of a data sample?
(A) Mean
(B) Mode
(C) Median
(D) Range

212. In the context of data collection, 'validity' refers to:
(A) The extent to which a measure accurately reflects the concept it is intended to measure.
(B) The consistency and stability of the measurement.
(C) The ease of administering the survey instrument.
(D) The size of the sample collected.

NODIA

213. Given below are two statements:
Statement I: Systematic sampling involves selecting a random starting point and then picking every kth element.
Statement II: Systematic sampling is a type of non-probability sampling.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

214. The 'power' of a hypothesis test is correctly defined as:
(A) P(Reject H_0 | H_0 is true)
(B) P(Accept H_0 | H_0 is true)
(C) P(Reject H_0 | H_1 is true)
(D) P(Accept H_0 | H_1 is true)

215. In simple linear regression, the line that is fitted to the data points is called the "least squares" line because it:
(A) Minimizes the sum of the squared differences between actual and predicted values.
(B) Passes through the maximum number of data points within the entire scatter plot.
(C) Minimizes the sum of the absolute differences between all specific X and Y values.
(D) Connects the first and last data points in the scatter plot to determine the slope.

216. Which of the following is an example of an "operational" decision in operations management?
(A) Deciding where to build a new factory.
(B) Deciding the production plan for the next six months.
(C) Deciding which worker will operate which machine today.
(D) Deciding to invest in a new technology.

217. A company that builds custom yachts for individual clients would most likely use which type of facility layout?
(A) Product layout
(B) Process layout
(C) Cellular layout
(D) Fixed-position layout

218. The "M" in the Six Sigma DMAIC cycle stands for:
(A) Manage
(B) Monitor
(C) Measure
(D) Modify

219. The 'transportation' problem in Operation Research can be solved using linear programming. What is the typical objective function?
(A) Maximize total units shipped.
(B) Minimize total shipping cost.
(C) Minimize the number of routes used.
(D) Maximize the profit from shipping.

220. The decision-making criterion that selects the action corresponding to the minimum of the maximum regrets is called:
(A) Maximax
(B) Maximin
(C) Minimax regret
(D) Laplace

221. Which of the following is a characteristic of a normal probability distribution?
(A) The curve is bell-shaped and symmetrical.
(B) The mean, median, and mode are all different.
(C) The distribution is discrete.
(D) The total area under the curve is not equal to 1.

222. An "open-ended" question in a survey is one that:
(A) Is easy to answer.
(B) Has only two possible answers.
(C) Allows the respondent to answer in their own words.
(D) Is placed at the beginning of the questionnaire.

223. Quota sampling is the non-probability equivalent of which probability sampling technique?
(A) Simple random sampling
(B) Systematic sampling
(C) Cluster sampling
(D) Stratified sampling

224. Which of the following statements about ERP is incorrect?
(A) ERP systems aim to provide an integrated view of core business processes.
(B) Implementing an ERP system is a major undertaking that can be costly and time-consuming.
(C) All ERP modules must be implemented at once for the system to work.
(D) ERP systems often use a common database to store data for various modules.

225. Match List I with List II.
List I: (Sequencing Rule)

Click Here to Buy book on Amazon

(A) To compare the observed frequencies of a single variable against expected frequencies.
(B) To test for the independence between two categorical variables.
(C) To compare the means of two groups from a small sample with unknown variance.
(D) To compare the means of more than two distinct groups.

Direction : Please read the following source carefully.

Correlation and regression analysis are powerful statistical techniques used in management to understand and quantify the relationship between two or more variables. Correlation analysis measures the strength and direction of the linear association between two variables. The result, the correlation coefficient, ranges from -1 to +1. A value close to +1 indicates a strong positive linear relationship, a value close to -1 signifies a strong negative linear relationship, and a value near 0 suggests a weak or non-existent linear relationship. It is crucial to remember that correlation does not imply causation; it merely indicates that two variables move together. Regression analysis, on the other hand, goes a step further. It is used to model and predict the value of a dependent variable based on the value of one or more independent variables. Simple linear regression involves one independent variable, while multiple regression involves two or more. The output of a regression analysis is an equation that describes the nature of the relationship, allowing managers to forecast outcomes. For instance, a company might use regression to predict future sales (dependent variable) based on advertising expenditure, price, and competitor activity (independent variables). Together, these analyses provide a quantitative framework for forecasting, planning, and strategic decision-making.

Based on the above source, attempt the following five questions.

271. What is the fundamental difference between correlation and regression analysis as described in the passage?
(A) Correlation uses two variables, while regression can only use one.
(B) Correlation can establish causation, whereas regression cannot.
(C) Correlation measures the strength of a relationship, while regression is used to model and predict outcomes.
(D) Correlation results in an equation, while regression provides a single coefficient.

272. A researcher finds a correlation coefficient of +0.90 between advertising spending and sales. According to the source, what does this indicate?
(A) An increase in advertising spending causes an increase in sales.
(B) A strong positive linear association between advertising spending and sales.
(C) A strong negative linear association between advertising spending and sales.
(D) A weak or non-existent relationship between the two variables.

273. Which of the following scenarios best illustrates the use of multiple regression analysis?
(A) Analyzing the relationship between employee training hours and their performance score.
(B) Measuring the strength of association between rainfall and crop yield.
(C) Determining if there is a difference in mean productivity between two departments.
(D) Predicting a student's final exam score based on their attendance, mid-term score, and hours of study.

274. A key warning mentioned in the passage regarding correlation analysis is that:
(A) The presence of a relationship does not prove one variable causes the other.
(B) It is only applicable to variables with a negative relationship.
(C) It is less accurate than regression analysis for all purposes.
(D) The correlation coefficient is difficult to interpret.

275. A manager wants to create a predictive model for employee turnover based on salary level. What analytical technique described in the passage would be most suitable for this purpose?
(A) Correlation analysis
(B) Multiple regression
(C) Simple linear regression
(D) Chi-square test

NODIA

234. Which of the following statements about correlation and regression is true?
(A) Regression analysis can be performed without correlation.
(B) Correlation coefficient 'r' and regression coefficient 'b' will always have the same sign.
(C) A high correlation always implies a cause-and-effect relationship.
(D) The value of the regression coefficient is always between -1 and +1.

235. The 'A' in the Six Sigma DMAIC cycle stands for:
(A) Action
(B) Analyze
(C) Assess
(D) Audit

236. What is the first step in the hypothesis testing procedure?
(A) Choose the level of significance.
(B) Collect the data.
(C) State the null and alternative hypotheses.
(D) Calculate the test statistic.

237. Which of the following statements about site selection is INCORRECT?
(A) Labor productivity and costs are important factors.
(B) Proximity to markets can reduce transportation costs for finished goods.
(C) Qualitative factors like community attitude should be ignored.
(D) Exchange rates and currency risk can be a factor in global location decisions.

238. The implementation of an ERP system typically impacts:
(A) Only the IT department.
(B) Only the finance and accounting departments.
(C) Nearly all departments and functions within an organization.
(D) Only the senior management.

239. Consider the following potential benefits of implementing an Enterprise Resource Planning (ERP) system:
(a) Improved integration of business processes.
(b) Standardization of data and information.
(c) Reduced operational efficiency.
(d) Increased data redundancy.
(e) Better visibility into organizational operations.
Which of the above statement(s) is/are correct?
Choose the correct option:
(A) (a), (b), and (e) only
(B) (c) and (d) only
(C) (a), (c), and (d) only
(D) All are benefits.

NODIA

240. The philosophy that is based on continuous improvement by involving all employees is known as:
(A) Six Sigma
(B) Benchmarking
(C) KAIZEN
(D) ISO 9000

241. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): In a PERT network, the critical path is the shortest path through the network.
Reason (R): The critical path determines the minimum time required to complete the project.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

242. A company that makes a high volume of a very few standardized products (like a soft drink bottler) would benefit most from which layout?
(A) Process Layout
(B) Product Layout
(C) Fixed-Position Layout
(D) Cellular Layout

243. The "C" in the Six Sigma DMAIC cycle stands for:
(A) Control
(B) Create
(C) Correct
(D) Calibrate

244. Vogel's Approximation Method (VAM) is an iterative procedure used to find the initial feasible solution for:
(A) A queuing problem

(A) Poisson distribution
(B) Binomial distribution
(C) Normal distribution
(D) Exponential distribution

259. What is a key characteristic of the Normal distribution as described in the passage?
(A) It applies only to situations with two possible outcomes.
(B) It models the time between independent events.
(C) It is symmetrical with data concentrated around the mean.
(D) It is asymmetrical and skewed to the right.

260. The passage suggests a relationship between the Poisson and Exponential distributions. Which statement best infers this relationship?
(A) If the number of events per hour follows a Poisson distribution, the time between those events follows an Exponential distribution.
(B) The Exponential distribution is a special case of the Poisson distribution for continuous variables.
(C) Both distributions model the number of successes in a fixed number of trials.
(D) The Poisson distribution measures the lifespan of a component, while the Exponential distribution measures its failure rate.

Direction : Please read the following source carefully.

The process of sampling is a cornerstone of management research and data collection, allowing inferences to be made about a large population by studying a smaller, representative subset. The sampling process begins with defining the target population, followed by specifying the sampling frame—a list from which the sample will be drawn. After this, the sampling technique is chosen, which broadly falls into two categories: probability and non-probability sampling. Probability sampling techniques, such as simple random, stratified, and cluster sampling, ensure that every unit in the population has a known, non-zero chance of being selected. This characteristic is essential for statistical inference and for estimating sampling error. Non-probability sampling techniques, including convenience, judgmental, and quota sampling, rely on the researcher's discretion or ease of access. While they are often quicker and less expensive, they do not allow for the generalization of findings to the whole population with a measurable degree of accuracy, as the selection is subjective. The choice between these techniques depends on the research objectives, available resources, and the need for generalizability. The final steps in the process involve determining the sample size and then physically drawing the sample, followed by data collection from the selected units. A well-designed sampling process is critical for the validity and reliability of research outcomes.

Based on the above source, attempt the following five questions.

261. According to the passage, what is the primary advantage of using probability sampling techniques over non-probability techniques?
(A) They are less expensive and quicker to implement.
(B) They rely on the expert judgment of the researcher for sample selection.
(C) They do not require a specific sampling frame.
(D) They allow for generalization to the population with a known chance of error.

262. In the sampling process described, what is the immediate step that follows defining the target population?
(A) Determining the sample size.
(B) Specifying the sampling frame.
(C) Choosing the sampling technique.
(D) Drawing the sample.

263. A researcher selects participants for a study by approaching people in a shopping mall because it is an easy and accessible method. Based on the passage, this is an example of which sampling technique?
(A) Stratified sampling
(B) Simple random sampling
(C) Convenience sampling
(D) Cluster sampling

264. Which of the following statements can be inferred from the passage about the selection of a sampling technique?
(A) Probability sampling is always the superior choice regardless of the research context.

Downloaded from www.pdf.tube

analyze to understand the consistency of their performance?
(A) The measures of dispersion
(B) The mode of their monthly sales
(C) The correlation between their sales
(D) The total number of sales made

253. Which of the following statements best captures the relationship between central tendency and dispersion as described in the source?
(A) Measures of dispersion are a subset of measures of central tendency.
(B) High dispersion in a dataset always implies a high mean value.
(C) A comprehensive analysis requires understanding both central tendency for a typical value and dispersion for variability.
(D) Measures of central tendency are only useful when dispersion is low.

254. Based on the description in the passage, what is a primary limitation of using the range as a measure of dispersion?
(A) It is difficult to calculate for large datasets.
(B) It is heavily influenced by the mean.
(C) It only considers the most frequent values.
(D) It provides a simple and potentially crude indication of spread.

255. Which of the following correctly pairs a statistical concept with its primary function as per the source text?
(A) Mode: To calculate the average distance from the mean.
(B) Standard Deviation: To identify the middle value in an ordered dataset.
(C) Mean: To represent the center of a distribution, though sensitive to outliers.
(D) Median: To identify the most frequently occurring value in a dataset.

Direction : Please read the following source carefully.

Probability distributions are fundamental models in management for dealing with uncertainty and making predictions. The syllabus outlines four key distributions: Binomial, Poisson, Normal, and Exponential. The Binomial distribution is applicable in situations with a fixed number of independent trials, where each trial has only two possible outcomes (e.g., success/failure, defective/non-defective). It is used to calculate the probability of a specific number of successes in 'n' trials. The Poisson distribution, on the other hand, models the probability of a given number of events occurring in a fixed interval of time or space, such as the number of customer arrivals per hour or defects per square meter of fabric. It is particularly useful when the average rate of occurrence is known, and the events happen independently. The Normal distribution, often called the bell curve, is perhaps the most important continuous probability distribution. It describes a vast range of phenomena where data tends to cluster around a central mean, with symmetrical tapering on both sides. Many statistical tests assume normality. Lastly, the Exponential distribution, which is related to the Poisson distribution, is used to model the time between events in a Poisson process. For example, it can describe the time between customer arrivals or the lifespan of an electronic component, making it vital for queuing theory and reliability analysis.
Based on the above source, attempt the following five questions.

256. A quality control manager is inspecting a batch of 100 products, where each product is either 'defective' or 'non-defective'. Which probability distribution would be most appropriate to model the number of defective products in the batch?
(A) Normal distribution
(B) Binomial distribution
(C) Exponential distribution
(D) Poisson distribution

257. According to the passage, the Exponential distribution is primarily used for modeling which type of variable?
(A) The number of occurrences in a fixed interval.
(B) The outcome of a trial with two possibilities.
(C) The distribution of data that clusters symmetrically around a mean.
(D) The time elapsed between two successive events.

258. A manager at a call center wants to predict the number of calls that will be received between 3:00 PM and 4:00 PM, knowing that the average rate is 20 calls per hour. Based on the source, which distribution should be used?

NODIA

P. FCFS
Q. SPT
R. EDD
S. LPT

List II: (Description)

1. Process job with the shortest processing time first.
2. Process job with the longest processing time first.
3. Process jobs in the order they arrive.
4. Process job with the earliest due date first.

Codes:
(A) P-3, Q-1, R-4, S-2
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-3, R-2, S-1
(D) P-3, Q-4, R-1, S-2

226. A 'Quality Circle' is primarily focused on:
(A) Disciplining employees who make errors.
(B) Setting company-wide quality strategy.
(C) Empowering employees to identify and solve problems in their own work area.
(D) Auditing suppliers for quality compliance.

227. In the PERT methodology, what does the "pessimistic time" estimate represent?
(A) The most likely time to complete an activity.
(B) The minimum possible time to complete an activity under ideal conditions.
(C) The maximum possible time to complete an activity under the worst possible conditions.
(D) The average time to complete an activity.

228. Arrange the following layouts in terms of increasing product volume and decreasing product variety:
(a) Process Layout
(b) Fixed-Position Layout
(c) Product Layout
Which of the following represents the correct sequence from lowest volume/highest variety to highest volume/lowest variety?
Choose the correct option:
(A) (a), (b), (c)
(B) (b), (a), (c)
(C) (c), (a), (b)
(D) (b), (c), (a)

229. If a researcher sets the significance level (alpha) at 0.01 instead of 0.05, what is the effect?
(A) The probability of a Type I error increases, and the probability of a Type II error increases.
(B) The probability of a Type I error decreases, and the probability of a Type II error decreases.
(C) The probability of a Type I error increases, and the probability of a Type II error decreases.
(D) The probability of a Type I error decreases, and the probability of a Type II error increases.

230. The transformation of inputs (e.g., labor, capital, materials) into outputs (goods and services) is the core function of:
(A) Marketing
(B) Finance
(C) Operations Management
(D) Human Resources

231. The primary purpose of scheduling in operations management is to:
(A) Determine the long-term capacity needs of the firm.
(B) Specify the timing of the use of resources such as equipment, facilities, and labor.
(C) Decide on the location of a new facility.
(D) Design the product to be manufactured.

232. Consider the following characteristics of Total Quality Management (TQM):
(a) It is a customer-focused approach.
(b) It involves continuous improvement.
(c) It requires total employee commitment.
(d) It is a short-term, quick-fix program.
Which of the above statement(s) is/are correct?
Choose the correct option:
(A) (a) and (b) only
(B) (a), (b), and (c) only
(C) (b), (c), and (d) only
(D) All of the above

233. In queuing theory, the "queue discipline" refers to:
(A) The layout of the waiting area.
(B) The number of servers available.
(C) The rule by which customers in the queue are selected for service.
(D) The rate at which customers arrive.

Click Here to Buy book on Amazon

(B) Non-probability sampling is mainly used when the population size is very small.
(C) The sample size is determined before the sampling technique is chosen.
(D) The choice is a trade-off between factors like cost, time, and the need for statistical generalization.

265. What fundamental principle distinguishes probability sampling from non-probability sampling as per the text?
(A) The provision of a known, non-zero chance of selection for every population unit.
(B) The size of the sample drawn from the population.
(C) The use of a questionnaire for data collection.
(D) The reliance on the researcher's subjective discretion.

Direction : Please read the following source carefully.

Hypothesis testing is a formal statistical procedure used by managers to make decisions and draw conclusions about a population based on sample data. The procedure begins with the formulation of two competing hypotheses: the null hypothesis (H0), which typically represents a statement of no effect or no difference, and the alternative hypothesis (H1), which represents the claim or theory the researcher wishes to establish. Once the hypotheses are set, a significance level (alpha) is chosen, which defines the threshold for rejecting the null hypothesis. The next step involves selecting an appropriate statistical test, such as the Z-test, T-test, F-test, or Chi-square test, based on the data type, sample size, and research question. The Z-test and T-test are commonly used to compare means, with the Z-test being appropriate for large samples or when the population variance is known, and the T-test for small samples with unknown population variance. The F-test is typically used in Analysis of Variance (ANOVA) to compare the means of more than two groups. The Chi-square test is distinct in that it is used to analyze categorical data, testing for independence between variables or comparing observed frequencies to expected frequencies. After computing the test statistic, it is compared with a critical value or a p-value is calculated to decide whether to reject or fail to reject the null hypothesis.

Based on the above source, attempt the following five questions.

266. According to the standard procedure of hypothesis testing described, what is the null hypothesis (H0)?
(A) The hypothesis that the researcher aims to prove.
(B) A statement of no effect or no difference.
(C) A conclusion based on the calculated p-value.
(D) The hypothesis used when population variance is unknown.

267. A researcher wants to test whether there is a statistically significant association between an employee's gender (categorical) and their promotion status (categorical). Which statistical test mentioned in the passage would be most appropriate?
(A) T-test
(B) Chi-square test
(C) Z-test
(D) F-test

268. Based on the passage, under which condition is a T-test generally preferred over a Z-test for comparing means?
(A) When the sample size is small and the population variance is unknown.
(B) When the sample size is large and population variance is known.
(C) When comparing the means of three or more groups simultaneously.
(D) When the data is categorical in nature.

NODIA

269. What is the role of the significance level (alpha) in the hypothesis testing procedure?
(A) It is the probability of correctly accepting the null hypothesis.
(B) It is the test statistic calculated from the sample data.
(C) It serves as a threshold for making the decision to reject the null hypothesis.
(D) It represents the alternative hypothesis that the researcher is testing.

270. A manager is using an F-test. Based on the information provided, what is the most likely purpose of this analysis?

for seamless communication and data sharing. For example, when a sales order is entered in the SCM module, it can automatically trigger actions in the manufacturing module to produce the item and in the finance module to handle billing. The ERP implementation process is a complex and challenging project that involves much more than just installing software. It requires careful planning, business process re-engineering, data migration, user training, and change management. A successful implementation can lead to significant improvements in efficiency, visibility, and decision-making, but failure can be costly and disruptive to the entire organization.

Based on the above source, attempt the following five questions.

281. What is described as the core benefit of an ERP system's integrated nature?
(A) It provides a centralized, single source of information across departments.
(B) It reduces the need for user training.
(C) It allows each department to use its own separate software.
(D) It focuses solely on financial and accounting functions.

282. Based on the passage, which of the following best describes the structure of an ERP system?
(A) A single, monolithic program that performs all business functions.
(B) A modular design where interconnected modules handle specific business functions.
(C) A collection of separate, unconnected software for each department.
(D) A system exclusively for managing customer relationships.

283. The passage illustrates the interconnectedness of ERP modules with an example. When a sales order is entered, which two other modules are mentioned as being automatically affected?
(A) Human Resources and Customer Relationship Management
(B) Manufacturing and Finance
(C) Human Resources and Finance
(D) Supply Chain Management and Human Resources

284. According to the text, which of the following is a critical non-technical component of a successful ERP implementation?
(A) Business process re-engineering and change management.
(B) The speed of the computer hardware.
(C) The physical security of the server room.
(D) The version number of the software.

285. A company wants to use its ERP system to manage employee data, payroll, and benefits. Which ERP module would be primarily responsible for these functions?
(A) Supply Chain Management (SCM)
(B) Customer Relationship Management (CRM)
(C) Human Resources
(D) Manufacturing

Direction : Please read the following source carefully.

In operations management, scheduling is a critical function that deals with the allocation of resources over time to perform a collection of tasks. Effective scheduling is essential for meeting customer deadlines, minimizing production time, and maximizing the utilization of resources. The process involves several key activities: loading, sequencing, and monitoring. Loading refers to the assignment of jobs to work centers or machines. The objective is to balance the workload across available capacity, avoiding situations where some centers are overloaded while others are idle. Sequencing, which follows loading, determines the order in which the jobs assigned to a particular work center will be processed. Various priority rules, such as First-Come, First-Served (FCFS), Shortest Processing Time (SPT), and Earliest Due Date (EDD), are used to establish this order. The choice of sequencing rule can significantly impact performance metrics like average job completion time, lateness, and the number of jobs in the system. Finally, monitoring is the phase where progress is tracked against the planned schedule. This involves checking the status of jobs, identifying delays or bottlenecks, and taking corrective action as needed. Monitoring ensures that the operation stays on track and provides feedback for future scheduling improvements.

Based on the above source, attempt the following five questions.

Downloaded from www.pdf.tube

Direction : Please read the following source carefully.

Operations management plays a pivotal role in any organization, encompassing the design, management, and improvement of the systems that create and deliver a firm's primary products and services. Its scope is broad, extending from strategic decisions to tactical and operational control. At the strategic level, operations management is concerned with long-term decisions such as determining the size and location of facilities. Facility location and layout are critical components of this. The site selection and analysis process involves evaluating factors like proximity to suppliers and markets, labor costs, infrastructure, and government regulations to choose an optimal geographic location. Once a site is chosen, facility layout design determines the physical arrangement of resources, such as machines and workstations, to facilitate a smooth flow of work, materials, and information. There are several layout types, including process layouts (where similar equipment is grouped together), product layouts (arranged according to the steps of production for a specific product), and hybrid layouts. An effective layout can significantly enhance efficiency, reduce material handling costs, minimize production time, and improve employee morale and safety. The goal is to align the facility's physical structure with the company's overall operational strategy and competitive priorities.

Based on the above source, attempt the following five questions.

276. According to the passage, facility location and layout decisions fall under which level of operations management?
(A) Strategic decision-making level
(B) Tactical control level
(C) Operational control level
(D) Daily scheduling level

277. A manufacturing plant produces a wide variety of custom products, each requiring a different sequence of operations. Which facility layout design would be most appropriate for this situation as per the descriptions?
(A) A product layout, as it is arranged for a specific product.
(B) A fixed-position layout, where the product does not move.
(C) A hybrid layout that combines all other forms.
(D) A process layout, as similar equipment can be grouped to handle varied routing.

278. Which of the following is NOT listed in the passage as a factor to be considered during site selection and analysis?
(A) Proximity to markets
(B) Employee satisfaction surveys
(C) Government regulations
(D) Labor costs

279. What is the primary objective of an effective facility layout design as described in the text?
(A) To maximize the distance between workstations for safety.
(B) To focus exclusively on reducing labor costs through automation.
(C) To align the physical arrangement of resources with operational strategy for efficiency.
(D) To ensure the facility's location is close to the company's headquarters.

NODIA

280. The passage suggests that a key benefit of a well-designed layout is the reduction of which type of cost?
(A) Raw material acquisition costs
(B) Marketing and advertising costs
(C) Corporate income tax costs
(D) Material handling costs

Direction : Please read the following source carefully.

Enterprise Resource Planning (ERP) systems are integrated software applications that an organization can use to collect, store, manage, and interpret data from many business activities. An ERP system standardizes and centralizes an organization's information, providing a single source of truth and facilitating the flow of information across different departments. A key feature of ERP systems is their modular structure. Common ERP modules include Finance and Accounting, Human Resources, Manufacturing, Supply Chain Management (SCM), and Customer Relationship Management (CRM). Each module is designed to focus on a specific business function, but they are all interconnected, allowing

(B) A PERT/CPM network
(C) A transportation problem
(D) A decision tree analysis

245. A probability distribution that is appropriate for modeling rare events, such as the number of accidents at an intersection in a day, is the:
(A) Normal distribution
(B) Binomial distribution
(C) Poisson distribution
(D) Exponential distribution

246. Which of the following is a primary disadvantage of primary data collection?
(A) It is often outdated.
(B) It may not be relevant to the research problem.
(C) It is generally more expensive and time-consuming than using secondary data.
(D) The data source is often unknown and unreliable.

247. A sampling method where you select every 10th person from a list is an example of:
(A) Simple random sampling
(B) Stratified sampling
(C) Systematic sampling
(D) Cluster sampling

248. The F-test is used to test the significance of the difference between:
(A) Two sample means
(B) More than two sample means
(C) Two sample proportions
(D) A sample mean and a population mean

249. Which of the following pairs is incorrectly matched?
(A) KAIZEN - Continuous Improvement
(B) Six Sigma - DMAIC
(C) Quality Circle - Voluntary employee group
(D) ISO 9000 - A quality award for best product

250. The ultimate goal of Operations Management is to:
(A) Add value for the customer through the transformation process.
(B) Maximize the budget of the operations department.
(C) Create the most complex production process possible.
(D) Hire the maximum number of employees.

Direction : Please read the following source carefully.

In the realm of statistics for management, understanding the fundamental characteristics of a dataset is paramount for informed decision-making. Measures of central tendency and measures of dispersion serve as the primary tools for this initial analysis. Measures of central tendency, which include the mean, median, and mode, aim to identify a single value that best represents the center or typical value of a distribution. The arithmetic mean, while widely used, is susceptible to the influence of extreme values or outliers, whereas the median, representing the middle value in an ordered dataset, is more robust in such situations. The mode identifies the most frequently occurring value. Conversely, measures of dispersion quantify the extent to which data points in a distribution are spread out or clustered together. Key measures like range, variance, and standard deviation provide insights into the variability and consistency of the data. The range offers a simple, albeit crude, measure of spread, while the standard deviation provides a more nuanced understanding of the average distance of each data point from the mean. For a manager, analyzing both central tendency and dispersion is crucial; two datasets might share an identical mean, but their vastly different dispersions could imply different levels of risk, consistency, or performance stability, thereby leading to different strategic conclusions.

Based on the above source, attempt the following five questions.

251. According to the passage, which measure of central tendency is described as being more resilient to the effects of unusually high or low values in a dataset?
(A) The arithmetic mean
(B) The median
(C) The mode
(D) The range

252. A manager is evaluating the performance of two sales teams. Both teams have the same average monthly sales. What additional information, as suggested by the passage, should the manager

Click Here to Buy book on Amazon

286. According to the passage, what is the primary purpose of the 'loading' activity in scheduling?
(A) To determine the order in which jobs will be processed.
(B) To track the progress of jobs against the plan.
(C) To prioritize jobs based on their due dates.
(D) To assign jobs to specific work centers or machines.

287. A workshop decides to process jobs in the order they arrive. Which sequencing rule is being applied?
(A) Shortest Processing Time (SPT)
(B) Earliest Due Date (EDD)
(C) First-Come, First-Served (FCFS)
(D) Last-In, First-Out (LIFO)

288. Which of the following activities involves comparing actual progress with the planned schedule and taking corrective action?
(A) Loading
(B) Monitoring
(C) Sequencing
(D) Assigning

289. The passage suggests that the choice of a sequencing rule, such as Shortest Processing Time (SPT), has a direct impact on:
(A) The initial assignment of jobs to work centers.
(B) The geographical location of the facility.
(C) The total number of machines required.
(D) Performance metrics like average job lateness.

290. What is the logical order of the three key scheduling activities described in the source?
(A) Loading, Sequencing, Monitoring
(B) Sequencing, Monitoring, Loading
(C) Monitoring, Loading, Sequencing
(D) Loading, Monitoring, Sequencing

Direction : Please read the following source carefully.

Quality management is a comprehensive and structured approach to organizational management that seeks to improve the quality of products and services through ongoing refinements in response to continuous feedback. Total Quality Management (TQM) is a philosophy that involves all employees in an organization in a continual effort to improve quality and achieve customer satisfaction. Central to TQM are several concepts and tools. KAIZEN, a Japanese term for "continuous improvement," is a cornerstone of this philosophy, advocating for small, incremental changes on a regular basis from all employees, rather than radical, top-down changes. Benchmarking is another critical tool, involving the process of comparing one's business processes and performance metrics to industry bests or best practices from other companies. Six Sigma is a highly disciplined, data-driven methodology that uses statistical analysis to identify and eliminate defects or errors in a process, aiming for near-perfection. In addition to these philosophies, formal standards like the ISO 9000 series provide a framework for quality management systems, ensuring that organizations consistently meet customer and regulatory requirements. Furthermore, Quality Circles, which consist of small groups of employees who meet regularly to identify and solve work-related problems, are a practical mechanism to foster employee involvement and drive the principles of TQM and KAIZEN at the grassroots level.

Based on the above source, attempt the following five questions.

291. Which quality management concept is described as a data-driven methodology using statistical analysis to eliminate defects?
(A) KAIZEN
(B) Benchmarking
(C) Six Sigma
(D) ISO 9000 Series Standards

292. According to the passage, what is the fundamental principle of KAIZEN?
(A) Making small, continuous, incremental improvements.
(B) Comparing performance against industry bests.
(C) Achieving quality through formal certification.
(D) Using statistical methods to achieve near-perfection.

293. A company's management team decides to study the logistics processes of the industry

Downloaded from www.pdf.tube

ANSWERS

1. (B) Science of collecting, organizing, analyzing, and presenting data for decisions.
Statistics in management serves as a scientific framework for the systematic handling of quantitative information to support organizational choice. It involves the rigorous collection of raw data, followed by careful organization and analysis to reveal underlying patterns. By presenting this interpreted data effectively, managers can reduce uncertainty and make informed, evidence-based decisions that enhance business efficiency and overall performance across various operational functions.

2. (A) Mean
The arithmetic average is calculated by summing all individual values in a dataset and dividing by the total count. Because every data point contributes directly to the final sum, extremely high or low values pull the result toward the extremes. This sensitivity makes it a less reliable measure for skewed distributions compared to the median, which focuses primarily on the middle position of the data.

3. (A) Both Statement I and Statement II are true.
Statistical distributions are categorized based on the nature of the variables they represent. The binomial model is utilized for scenarios involving a specific number of trials where outcomes are distinct and countable, making it discrete. Conversely, the normal model describes variables that can take any value within a range, characterizing it as a continuous probability distribution essential for various inferential statistical tests used in research.

4. (D) Symmetrical distribution
A balanced data distribution where the average, the middle value, and the most frequent value coincide reflects perfect proportionality around the center. This characteristic indicates that there is no skewness toward higher or lower values on either side of the peak. Such a pattern creates a mirror-image bell shape on a graph, signifying that the frequency of observations is evenly distributed across the entire range.

5. (C) Mode
While several statistical tools measure how spread out or varied data points are from the center, others focus on identifying the most typical or frequent value. Range, standard deviation, and variance all provide insights into the level of scatter or consistency within a dataset. In contrast, identifying the value that appears most often describes the peak frequency and belongs to the category of central tendency.

6. (B) Hourly arrival of calls at a specific center.
Modeling the number of occurrences within a fixed interval of time or space is a specialized statistical application. This approach is ideal for events that happen independently at a constant average rate, such as incoming communication traffic. It provides a mathematical framework to predict the probability of a specific number of arrivals, allowing organizations to allocate resources efficiently to handle fluctuating demand periods throughout the day.

7. (D) To collect relevant research data in a reliable and valid manner.
The primary objective of developing a structured set of questions is to obtain accurate and consistent information that directly addresses the research goals. A well-constructed instrument ensures that respondents understand the queries uniformly, minimizing potential bias and error. This systematic approach allows for the collection of high-quality data that is both relevant and statistically sound, forming a solid foundation for meaningful analysis and subsequent organizational decision-making.

8. (A) A double-barreled question
Asking a single question that combines two distinct issues or topics creates a significant flaw in survey methodology. This structure forces respondents to provide one answer for two different concepts, making it impossible to determine which part they are actually addressing. Such ambiguity leads to inaccurate data collection because the responses cannot be clearly interpreted, ultimately compromising the

NODIA

the overall project duration.
(C) The shortest possible route to complete the project.
(D) The list of all non-essential tasks in the project.

300. A manager using payoff tables and decision trees to evaluate different investment options under conditions of economic uncertainty is applying which of the following?
(A) Decision Theory
(B) Transportation Problem
(C) Queuing Theory
(D) PERT

www.nodia.in

Click Here to Buy book on Amazon

state. This environment allows for the calculation of expected values because the probability of success or failure for each option is known. It differs from complete uncertainty, where even the chances of different outcomes cannot be reliably determined before making choices.

49. (A) (a), (c), and (d) only
Modern quality management is a comprehensive philosophy that extends beyond a single department to include every part of the organization. It is characterized by a relentless focus on satisfying the needs of the customer and a commitment to making continuous, long-term improvements in all processes. This approach succeeds only when there is strong support from leadership and when all employees are empowered to contribute to the overall quality and efficiency.

50. (B) P-3, Q-1, R-2, S-4
Different statistical models are used to describe various types of events based on their mathematical properties. For example, some models focus on scenarios with a fixed number of binary trials, while others describe symmetrical, bell-shaped patterns common in nature. Specialized distributions also exist for measuring the time between occurrences or situations where the average rate of events is equal to the variability, providing tools for diverse research and operational analysis.

51. (C) The variance
Measuring the spread of data involves calculating how far individual points deviate from the arithmetic average. One common metric provides this information in the same units as the original data. When this value is multiplied by itself, it results in a mathematical measure that represents the average of the squared distances from the center. This squared value is a fundamental component in many statistical formulas and is essential for understanding data variability.

52. (A) Test the questionnaire and research design on a small scale.
Before launching a full-scale research project, it is standard practice to test the methods and tools on a smaller group. This preliminary step allows the researcher to identify potential problems with question wording, survey flow, or data collection procedures. By refining these elements based on early feedback, the final study can be conducted more smoothly and with a higher degree of accuracy and reliability, ensuring that gathered data is useful.

53. (C) Judgmental sampling
In some research scenarios, it is not possible or necessary to give every member of a population a known chance of being selected. Instead, the researcher may use their own professional expertise or specific criteria to choose participants who are most likely to provide valuable insights. This approach is common in qualitative studies or when exploring new areas where a representative statistical sample is less important than obtaining deep, specialized information.

54. (D) β (beta)
The risk of failing to detect a real effect or difference in a statistical test is represented by a specific Greek letter. This value indicates the probability of not rejecting a baseline assumption when it is actually incorrect. Managing this risk is crucial for ensuring the power of a test, as it directly affects the researcher's ability to find significant results when they truly exist in the population being studied during research.

55. (C) Reject the null hypothesis.
Statistical tests define specific boundaries for making decisions based on sample evidence. If the calculated result from the data falls beyond a certain threshold, it indicates that the observed patterns are highly unlikely to have occurred by chance alone. In such cases, the researcher concludes that the initial baseline assumption is not supported by the evidence and must be discarded in favor of the alternative theory being tested in the study.

56. (B) The proportion of Y-variance explained by the independent variables.
In the context of predictive modeling, it is essential to know how much of the variation in the outcome can be attributed to the factors included in the analysis. This specific statistic provides a ratio that represents the goodness of fit for the model. A higher value indicates that the independent variables are doing a good job of explaining the differences in the dependent

NODIA

validity and reliability of the research results and conclusions.

9. (A) Both A and R are true and R is the correct explanation of A.
Gathering original information directly from sources for a specific project involves substantial resource investment in terms of time, labor, and funding. This firsthand approach is necessary when existing data does not meet the unique requirements of a study. Although more costly than utilizing previously published records, it ensures that the resulting information is current, specific, and tailored precisely to the objectives of the current research investigation.

10. (A) Simple random sampling
In probability-based selection methods, every individual within the entire group has a mathematically identical likelihood of being chosen for the study. This technique eliminates selection bias by ensuring that the choice of one member does not influence the choice of another. By providing an equal opportunity for inclusion, the resulting sample serves as an unbiased representation of the larger population, allowing for more accurate statistical generalizations.

11. (D) Sampling frame
A comprehensive and accurate list of every unit within the target population is essential for implementing probability selection methods. This list serves as the physical or digital foundation from which a sample is systematically drawn. Without a complete directory of all potential participants, it is impossible to ensure that every member has a known and non-zero chance of selection, which is a fundamental requirement for scientific research.

12. (B) Sampling randomly from homogeneous subgroups of a population.
Dividing a diverse population into distinct, non-overlapping groups based on shared characteristics ensures that all segments are represented in the final sample. By drawing random selections from each of these smaller, internally similar subgroups, researchers can reduce sampling error and improve the precision of their findings. This method is particularly useful when certain groups are small yet significant to the overall research objectives and statistical analysis.

13. (A) P-2, Q-1, R-4, S-3
Probability and non-probability methods serve different research needs based on their selection logic. Grouping a population into natural units and selecting entire clusters is one approach, while choosing every fixed nth element provides a systematic structure. Conversely, non-probability methods include assigning specific proportions to subgroups or using referrals from existing participants to find others, which is particularly effective for reaching rare or hidden populations in specialized studies.

14. (D) Rejecting a true null hypothesis.
Statistical decision-making involves the risk of reaching an incorrect conclusion based on sample data. This specific error occurs when the evidence leads to the dismissal of a foundational assumption that is actually true in the broader population. Often referred to as a false positive, it signifies that a significant effect was detected where none truly exists, which can lead to unnecessary changes or incorrect scientific claims.

15. (A) Formulating the null and alternative hypotheses.
The formal process of statistical inference begins with the clear definition of two opposing claims about a population. One claim assumes no change or effect, serving as the starting point for the analysis. The second claim represents the researcher's theory or the specific effect they hope to demonstrate. Establishing these statements at the outset provides the necessary framework for choosing appropriate statistical tests and interpreting the resulting data.

16. (B) Large sample size and known or assumed population variance.
Statistical tests for comparing means are selected based on specific criteria regarding the data source. When the group being studied is sufficiently large, the distribution of the sample mean tends to be normal regardless of the underlying population shape. Additionally, having a known or reliably estimated population variance allows for the use of standard normal

Downloaded from www.pdf.tube

leader to identify areas for improvement in their own operations. This practice is an example of:
(A) KAIZEN
(B) Six Sigma
(C) A Quality Circle
(D) Benchmarking

294. What is the primary function of Quality Circles as described in the source?
(A) To provide a framework for formal quality system certification.
(B) To act as a small group of employees solving work-related problems.
(C) To implement large-scale, radical changes dictated by top management.
(D) To conduct statistical analysis for defect elimination.

295. The ISO 9000 series is presented in the passage as:
(A) A philosophy of continuous small improvements.
(B) A methodology for achieving a defect rate of near zero.
(C) A framework of standards for quality management systems.
(D) A tool for comparing performance with other companies.

Direction : Please read the following source carefully.

Operation Research (OR) provides a quantitative and scientific approach to managerial decision-making, aiming to optimize the performance of complex systems. It employs mathematical models and algorithms to find the best possible solutions to problems with constrained resources. The syllabus highlights several key OR techniques. The Transportation Problem is a classic OR model focused on finding the most cost-effective way to ship goods from a number of sources to a number of destinations, subject to supply and demand constraints. Queuing Theory is the mathematical study of waiting lines, or queues. It analyzes processes such as customer arrivals, waiting in line, and being served, to help managers make decisions about the number of service channels needed to balance the cost of service with the cost of waiting. Decision Theory provides a systematic framework for making choices under conditions of uncertainty, risk, or certainty, often using tools like payoff tables and decision trees. Finally, PERT (Program Evaluation and Review Technique) and CPM (Critical Path Method) are project management techniques used for planning, scheduling, and controlling large and complex projects. CPM is used when activity times are known and deterministic, while PERT is used when activity times are uncertain and probabilistic. Both help in identifying the critical path—the sequence of activities that determines the total project duration.

Based on the above source, attempt the following five questions.

296. A logistics manager needs to determine the cheapest way to distribute products from three factories to five warehouses. Which Operation Research technique mentioned in the passage is specifically designed for this type of problem?
(A) Queuing Theory
(B) Decision Theory
(C) PERT / CPM
(D) Transportation Problem

297. A hospital administrator wants to determine the optimal number of receptionists to have on duty to minimize patient wait times without incurring excessive staff costs. Which OR technique would be most relevant?
(A) Queuing Theory
(B) Transportation Problem
(C) Critical Path Method
(D) Decision Theory

298. What is the key distinction between PERT and CPM as described in the source?
(A) PERT is for cost minimization, while CPM is for time minimization.
(B) PERT is used when activity times are uncertain, while CPM is used when they are known.
(C) CPM identifies the critical path, but PERT does not.
(D) PERT is a decision-making framework, while CPM is a project scheduling tool.

299. According to the passage, the "critical path" in a project is best defined as:
(A) The sequence of activities with the lowest cost.
(B) The sequence of activities that determines

NODIA

different specialized functional area within the modern corporate structure.

25. (D) (a), (b), (c), and (d)
Managing the production of goods and services involves a wide array of interconnected responsibilities across the entire value chain. This includes the initial creation of product specifications, the continuous monitoring of quality standards, and the strategic oversight of material storage and flow. Furthermore, determining the optimal physical location for facilities and arranging the internal layout are critical for maximizing efficiency and minimizing costs within the organizational framework.

26. (A) Community attitude and quality of life
When choosing a location for a new facility, managers evaluate both numerical and non-numerical data. While costs related to labor, materials, and logistics can be precisely calculated, factors such as the local lifestyle and the receptiveness of the population are subjective. These intangible elements play a significant role in long-term success by influencing employee satisfaction and the ease of building positive relationships within the local environment.

27. (D) Production of a variety of products in low volumes.
Arranging a facility by grouping similar machines or functions together provides high flexibility for handling diverse tasks. This configuration is ideal for environments that produce many different products in small quantities, as it allows for customized routing through the various specialized departments. Such a system is commonly found in job shops or service providers where each order has unique requirements and requires a different sequence of operations.

28. (B) To minimize handling costs, movement, and production bottlenecks.
The strategic arrangement of departments and equipment within a building aims to optimize the flow of work and resources. By minimizing the distances that materials and people must travel, an organization can significantly reduce waste and operational costs. Effective designs also help in eliminating bottlenecks and ensuring that production stages are well-balanced, leading to higher overall productivity and a more efficient use of the available space.

29. (C) Integrated applications used to manage and interpret business data.
Modern organizations utilize integrated software suites to consolidate data from various functional areas into a single, unified platform. These systems allow for real-time information sharing across departments like finance, human resources, and supply chain management. By providing a centralized source of truth, these applications help managers interpret complex business data more effectively, leading to improved coordination, streamlined processes, and better-informed decision-making throughout the entire corporate enterprise.

30. (D) Human Resources
Enterprise software typically consists of several standard components that address the essential functions of a business. These modules manage critical areas such as financial records, procurement, and the administration of the workforce. Overseeing employee data, benefits, and payroll is a fundamental requirement for any large organization, making it a standard feature in integrated management systems, whereas more specialized or creative tasks are often handled by separate applications.

31. (A) Both A and R are true and R is the correct explanation of A.
Implementing a comprehensive management software suite often involves adjusting how a company performs its daily tasks. These systems are designed around standardized, industry-recognized workflows that may differ significantly from a firm's historical methods. To fully realize the benefits of the technology, organizations often need to rethink and redesign their internal processes to align with the software's capabilities, ensuring smoother integration and more efficient data management.

32. (B) Loading
The systematic assignment of specific tasks to individual workstations or machines is a critical part of production planning. This process ensures that work is distributed across the available capacity of the facility to meet demand. By effectively allocating jobs, managers can

Click Here to Buy book on Amazon

distribution values to determine the statistical significance of the observed research results.

17. (B) Level of significance is the probability of a Type II error.
In the framework of statistical testing, the significance level represents the maximum acceptable risk of rejecting a true baseline assumption. This value is predetermined by the researcher to control the probability of a false positive result. It is distinct from the probability of failing to reject a false baseline assumption, which is related to the power of the test and the likelihood of missing a real effect.

18. (A) Testing goodness of fit or association between categorical variables.
This statistical method is primarily employed to evaluate variables that are measured on a nominal or ordinal scale. It determines whether there is a significant difference between the frequencies observed in different categories and the frequencies expected if no relationship existed. This makes it an essential tool for testing the independence of categorical factors or assessing how well a sample distribution fits a theoretical model in research.

19. (A) Only (a), (b), and (d) are correct.
Specific statistical tools are designed for different data conditions and research goals. Comparing multiple group means requires an analysis of variance, while tests for smaller samples with unknown variance utilize the t-distribution. Validating assumptions about proportions or categorical associations often involves different non-parametric methods. Understanding when to apply each test is crucial for accurate data interpretation and avoiding errors that could lead to false positive results.

20. (D) The equality of more than two population means.
Analysis of variance utilizes a specific ratio to determine if the variation between different groups is significantly larger than the variation within the groups themselves. This comparison allows researchers to evaluate whether the averages of several independent populations are statistically identical or if at least one group differs. It is a powerful tool for experimental designs where multiple treatments or conditions are compared simultaneously to identify significant effects.

21. (C) A perfect negative linear relationship between two variables.
A numerical value describing the linear relationship between two variables indicates both the strength and the direction of their movement. When this value reaches its negative extreme, it signifies that as one variable increases, the other decreases in a perfectly predictable, straight-line manner. This total inverse relationship allows for exact prediction of one variable based on the other, showing they are perfectly linked in opposite directions.

22. (D) Statement I is false, but Statement II is true.
Measuring the strength of a relationship between two variables does not automatically prove that one causes the other. While one statistical tool describes how factors move together, another provides a mathematical model to estimate the value of a resulting variable based on known inputs. This predictive capability is essential for forecasting and decision-making, even though the underlying relationship may be complex and influenced by various other factors.

23. (D) The Y-change per one-unit change in X.
In a linear mathematical model, the slope represents the rate of change in the outcome variable for every single unit of increase in the predictor variable. This value quantifies the sensitivity of the relationship, indicating how much the dependent factor is expected to shift. A positive value shows an upward trend, while a negative value indicates a downward trend, providing a clear numerical measure of the predictive relationship.

NODIA

24. (A) Developing and executing the company's long-term financial strategy.
The management of business processes focuses primarily on the efficient transformation of inputs into valuable goods and services. This involves overseeing daily activities, supply chain logistics, and quality assurance to ensure organizational goals are met. While operational efficiency impacts financial health, the high-level creation and execution of long-term investment and capital strategies are typically handled by a

to understand current performance. Once data is collected, it is scrutinized to find root causes of issues. Subsequently, solutions are developed and implemented, and finally, mechanisms are put in place to maintain the gains.

41. (C) Quality management systems.
International standards provide a framework for organizations to demonstrate their commitment to consistent quality. These guidelines focus on the processes and management practices that ensure products and services meet customer requirements and regulatory expectations. By following these standards, a company can improve internal efficiency, enhance customer trust, and facilitate international trade by providing a recognized proof of their dedication to maintaining high-quality organizational systems.

42. (A) Minimize the cost of shipping goods from a set of sources to a set of destinations.
The primary aim of this specialized linear programming application is to optimize the distribution of resources across a network. It focuses on determining the most economical way to move goods from various supply points to multiple demand locations. By analyzing the costs associated with each possible route, the model identifies the specific shipping quantities that will result in the lowest possible total expenditure for the entire logistics operation.

43. (C) Simplex Method
Finding a starting point for logistics optimization involves several heuristic techniques that provide a basic feasible arrangement. Methods like starting in the upper-left corner, choosing the lowest costs, or using penalty calculations are common for this initial stage. However, the comprehensive mathematical algorithm used for general linear programming is more complex and is typically employed to find the final optimal solution rather than just the first basic feasible arrangement.

44. (D) Waiting lines and the provision of service to customers.
Mathematical modeling of waiting lines is essential for balancing service capacity with customer demand. This field of study examines various factors such as how customers arrive, how long service takes, and the rules for serving those in line. By understanding these dynamics, organizations can make informed decisions about staffing levels and facility design to minimize wait times and improve service efficiency without incurring excessive operational costs.

45. (C) PERT uses three time estimates, while CPM typically uses only one.
Project management techniques differ in how they handle the time required for individual tasks. One method relies on a single, fixed duration for each activity, making it suitable for projects where tasks are well-understood. The other approach incorporates uncertainty by using a weighted average of three different time estimates—optimistic, most likely, and pessimistic. This allows for a more realistic assessment of the risks and variability inherent in complex projects.

46. (B) Has zero slack and represents the longest path through the network.
In a project network, the sequence of activities that dictates the total time required for completion is vital for planning. This specific route consists of tasks that have no flexibility in their timing; any delay in these activities will directly push back the final delivery date of the entire project. Identifying this path allows managers to focus their resources on the most time-sensitive tasks to ensure the project stays on schedule.

NODIA

47. (D) Making choices under conditions of certainty, risk, and uncertainty.
Managerial choices are often made in environments where the outcomes are not guaranteed. This field of study provides a structured framework for evaluating different alternatives based on the level of information available. It addresses situations ranging from having complete knowledge of the results to cases involving known probabilities of risk or even complete uncertainty. By using these tools, leaders can make more logical and consistent choices that align with organizational objectives.

48. (A) Risk
When a manager faces a choice where the specific outcome is unknown but the likelihood of each possibility can be estimated, the situation is categorized by a specific type of information

prevent overloading certain areas while others remain idle, ultimately balancing the workload and maximizing the utilization of both human and mechanical resources within the production environment.

33. (B) EDD (Earliest Due Date)
Priority rules are used in operations to determine the order in which waiting tasks should be processed. One common approach focuses on the urgency of the completion deadline, giving the highest priority to the job with the closest calendar date for delivery. This method is particularly effective for maintaining customer satisfaction by minimizing the likelihood of late shipments and ensuring that the most time-sensitive commitments are addressed first.

34. (C) Tracking the progress of jobs and comparing it against the plan.
Once a production plan is established and activities have begun, it is essential to oversee the actual performance in real time. This stage involves collecting data on task completion and identifying any deviations from the original timeline. By comparing current progress against the intended schedule, managers can detect delays early and take corrective actions to ensure that the organization remains on track to meet its delivery goals.

35. (C) Monitor and control a process to ensure it operates at its full capability.
The use of mathematical techniques to evaluate and manage the consistency of a production system is fundamental to modern manufacturing. Instead of merely sorting good items from bad ones after production, this approach focuses on tracking the process itself to identify when it begins to drift from its ideal state. By maintaining the system within its calculated limits, organizations can ensure that outputs consistently meet quality specifications.

36. (B) Employees who meet voluntarily to solve work-related quality problems.
Creating a forum where employees can collaborate to improve their work environment is a key element of participative management. These groups consist of workers who meet on their own accord to analyze specific operational issues and propose practical solutions. This collaborative approach leverages the firsthand knowledge of the staff to enhance productivity and quality, while also increasing employee engagement and fostering a culture of continuous organizational improvement.

37. (D) Continuous, incremental improvement involving everyone.
The Japanese philosophy of improvement emphasizes the value of small, steady changes over time rather than large-scale, sudden transformations. This approach involves every member of the workforce, from frontline staff to top management, in identifying opportunities for better efficiency and quality. By consistently applying these minor enhancements, an organization can achieve significant long-term progress and maintain a competitive edge through a collective commitment to daily excellence.

38. (A) Benchmarking
A proactive strategy for organizational improvement involves looking outward to identify superior performance in others. By systematically measuring internal processes against the standards set by industry leaders or world-class performers, a company can pinpoint specific areas for growth. This comparison provides a clear target for excellence and helps in adapting proven methods to enhance efficiency, quality, and overall competitive standing within the global marketplace and industry.

39. (C) 3.4 defects per million opportunities (DPMO).
High-precision quality management aims for a near-perfect production environment by minimizing variability. This rigorous methodology sets a specific statistical target where errors are extremely rare, occurring only a few times in every million opportunities. Achieving this level of consistency requires deep analysis of processes to eliminate root causes of defects, resulting in significant cost savings, higher customer satisfaction, and a robust reputation for organizational reliability and excellence.

40. (A) (c), (e), (a), (d), (b)
The structured methodology for process improvement follows a logical sequence to ensure sustainable results. It begins by clearly identifying the problem and the goals of the project. This is followed by gathering baseline data

Downloaded from www.pdf.tube

variable, making the model more useful for forecasting.

57. (C) Sequential machines dedicated to a single standardized product.
High-volume manufacturing of standardized items often requires an arrangement where machines are placed in a fixed, logical sequence. This setup allows the work to move smoothly from one station to the next with minimal handling or interruption. While this configuration offers very little flexibility for making different types of goods, it is highly efficient for mass production, as each piece of equipment is dedicated to a specific step in the process.

58. (A) Costs and staff resistance.
Adopting a comprehensive organizational software system is a major undertaking that involves significant financial investment and changes to daily work habits. One of the most common hurdles is the natural hesitation of staff to move away from familiar routines and learn new, complex processes. Successfully overcoming this barrier requires clear communication, extensive training, and strong leadership to ensure that employees understand the long-term benefits of the new integrated system.

59. (B) Minimizing average flow time and average jobs in the system.
When managing a list of tasks, prioritizing those that take the least amount of time can lead to several operational advantages. This approach is mathematically proven to result in the lowest possible average time that jobs spend in the system, which also means that the average number of waiting jobs is kept to a minimum. By clearing out short tasks quickly, the organization can improve its overall responsiveness and maintain flow.

60. (B) Control Chart
Distinguishing between the natural, expected variability in a process and the variation caused by specific, identifiable problems is crucial for quality management. A specialized visual tool uses statistical limits to monitor performance over time. If data points stay within these boundaries, the process is considered stable. However, points falling outside or showing unusual patterns indicate that something unusual is affecting the system and requires investigation and correction by the organizational management.

61. (C) A is true but R is false.
The philosophy of continuous improvement is built on the idea that small, daily changes lead to significant progress over the long term. This approach encourages everyone to look for minor ways to enhance efficiency and quality consistently. Contrary to the idea that only massive, revolutionary shifts can bring success, this method values the cumulative impact of many small gains, making it a sustainable and inclusive way to drive organizational excellence and growth.

62. (C) Benchmarking
Identifying the top performer in a specific area and studying their methods to improve your own operations is a standard practice for excellence. This process involves a systematic comparison of performance metrics and workflows to find gaps and opportunities. By learning from the best, an organization can set realistic yet challenging goals and implement proven strategies to enhance its own efficiency, quality, and competitive position within the industry and market.

63. (A) It has a memoryless property.
One unique feature of certain continuous probability models is that the likelihood of an event occurring in the future does not change based on how much time has already passed. This property means that the history of the process provides no information about when the next occurrence will happen. This makes it a valuable tool for modeling things like the lifespan of electronic components or the time between random customer arrivals in service systems.

64. (D) Standard Deviation
Several statistical tools are used to find the middle or typical value of a dataset, such as the arithmetic average or the value that appears most often. However, another group of measures focuses on describing how much the data points vary or spread out from that center. One such tool measures the average distance of observations from the mean, providing insight into the consistency or volatility of data rather than its location.

NODIA

the success of others provides a clear path for enhancing performance and achieving world-class standards in organizational excellence.

129. (B) Minimizing total transportation cost.
The primary goal of this mathematical optimization tool is to create a logistical plan that satisfies all supply and demand requirements at the lowest possible total expenditure. By analyzing the costs of moving goods from each origin to each destination, the model identifies the most efficient shipping quantities for every route. This helps businesses to manage their distribution networks more effectively, leading to significant cost savings and more streamlined operations across the entire supply chain.

130. (A) (O + 4M + P) / 6
Calculating the time for a project activity that has a high degree of uncertainty involves using three different estimates. By combining a very positive view, a very negative view, and the most likely scenario, a weighted average is created that gives more importance to the most probable outcome. This balanced approach provides a more realistic expectation of how long the task will take on average, allowing for more accurate project planning and risk assessment.

131. (B) Mean = 0, Standard Deviation = 1
In statistics, a very specific version of the bell-shaped curve is used as a universal reference for many types of analysis. This distribution is centered exactly at a value of zero and has a measure of spread that is equal to one. By converting any other set of normally distributed data into this standard format, researchers can easily compare different groups and use pre-calculated tables to find probabilities, making it a fundamental tool for research.

132. (B) It is only affected by the two extreme values.
While it is a very simple and quick way to get a sense of how spread out a dataset is, this measure has a significant flaw. Because it is calculated by only looking at the very highest and very lowest values, it completely ignores all other data in the middle. This means that a single unusual or extreme value can make the data look much more varied than it actually is, leading to a misleading summary of consistency.

133. (B) Conducting a survey to gauge customer satisfaction.
When a researcher needs information that is not already available from other sources, they must go out and gather it themselves. This firsthand approach allows the data to be perfectly tailored to the specific needs of the study. One common way to do this is by asking people directly about their opinions, behaviors, or experiences through a structured set of questions. Although this is more work than using existing reports, it ensures relevance and accuracy.

134. (A) Both A and R are true and R is the correct explanation of A.
Selecting a representative sample from a diverse population often works better when the group is first divided into smaller, more similar sections. By ensuring that each of these distinct layers is represented in the final selection, researchers can get a much more accurate picture of the whole group, especially when certain subgroups are small but important. This systematic approach reduces the risk of accidentally leaving out a key part of the population during research.

135. (C) Chi-square test of independence
When a researcher wants to know if there is a relationship between two variables that are measured by categories rather than numbers, they use a specific statistical method. This test compares the actual number of people or items in each combination of categories to what would be expected if the two things were completely unrelated. If the difference is large enough, it suggests that variables are linked, providing a valuable way to analyze patterns in survey data.

136. (A) There is a strong positive linear relationship between X and Y.
A mathematical measure that describes how two sets of data move together provides a clear picture of their relationship. When this value is high and positive, it means that as one variable increases, the other one also tends to increase in a very consistent way. This indicates a strong linear connection, allowing for fairly reliable predictions. It is important to remember that this shows a link between the two factors, but not necessarily causality.

Click Here to Buy book on Amazon

operating correctly and efficiently within the new integrated platform.

73. (B) Determine the order in which jobs are to be processed at a work center.
In a production environment where multiple tasks are waiting at a workstation, it is essential to determine the most effective order for processing them. This activity focuses on organizing the flow of work to optimize specific performance goals, such as meeting delivery dates or reducing idle time. By choosing the right sequence, a manager can ensure that resources are used effectively and that the most important or urgent jobs are completed timely.

74. (D) All (a), (b), (c), (d), and (e) are correct.
A comprehensive approach to quality management is built on several foundational pillars that guide organizational behavior. This includes a primary focus on the needs of the customer, a dedication to understanding and improving the processes that create value, and the active participation of every employee. Furthermore, making decisions based on actual data rather than intuition and a relentless commitment to ongoing improvement are essential for achieving long-term excellence and competitive advantage.

75. (A) Customer focus and leadership
Modern international standards for quality management emphasize several key leadership behaviors and organizational goals. One of the most important aspects is a strong commitment to understanding and exceeding the expectations of the customer. Additionally, the role of top management in providing a clear vision and creating a supportive environment for quality is highlighted. These principles help organizations build a solid foundation for consistent performance and success in a competitive global market.

76. (B) Critical path
The mathematical study of waiting lines involves several standard elements that describe the flow of people or tasks through a service point. This includes how frequently new arrivals occur, the physical or logical way the line is formed, and the specific process by which they are served. While other project management tools track the time for a sequence of tasks, they are not part of the standard framework used to analyze queues.

77. (D) Knows the possible outcomes but does not know the probabilities of their occurrence.
When a manager faces a choice where the potential results are known but there is absolutely no information available to estimate the likelihood of each outcome, the situation is one of limited knowledge. In this environment, it is impossible to calculate expected values or use standard probability-based tools. Instead, the decision-maker must rely on logical criteria such as being extremely optimistic, cautious, or minimizing potential regret to choose the best action.

NODIA

78. (A) An activity can be delayed without delaying the entire project.
In project management, some activities have a degree of flexibility in their timing without affecting the overall completion date. This amount of extra time represents the difference between how early a task can start and how late it must finish to keep the project on track. Understanding this flexibility allows managers to reallocate resources from non-critical tasks to more urgent ones, helping to manage risks and ensure the project is delivered timely.

79. (A) Both Statement I and Statement II are true.
Measuring the spread of data can be done using various tools that offer different insights. One simple method looks only at the difference between the highest and lowest values, making it very sensitive to any unusual extremes. Another more comprehensive tool measures variability in a way that is consistent with the original data units, providing a clear picture of how much the observations typically differ from the average for statistical analysis.

80. (D) (a), (b), (c), and (d)
Scenarios that can be modeled with this specific probability distribution share several key characteristics. These include a set number of identical attempts, where each attempt results in one of only two possible outcomes, such as success or failure. Furthermore, the chance of a successful outcome must be the same for every attempt, and the result of one attempt must not

possible and to adopt proven methods to enhance its own quality and performance.

97. (B) Find an initial feasible solution for a transportation problem that is close to optimal.
A more sophisticated method for starting a logistics optimization project involves looking at the potential cost penalties of not choosing the cheapest routes. By calculating these differences for each row and column, the technique prioritizes the allocation of resources where they will save the most money. This results in an initial plan that is much closer to the final, most efficient solution than simpler methods, reducing the amount of work needed to reach optimality.

98. (C) It is probabilistic and allows for uncertainty in activity time estimates.
Managing complex and unique projects requires a tool that can account for the inherent uncertainty in how long each task will take. This specific technique uses a range of three time estimates for every activity to calculate an expected duration and a measure of risk. By treating time as a variable rather than a fixed number, managers can better assess the probability of meeting deadlines and identify which parts are most critical.

99. (C) Queuing theory
The mathematical study of service systems is perfectly suited for analyzing situations where customers arrive randomly and must wait for attention. By examining arrival patterns and the time it takes to provide care, this approach can help administrators determine the best number of staff and the most efficient way to manage patient flow. This balance between the cost of providing service and the impact of waiting is essential for improving efficiency in healthcare environments.

100. (A) (a), (c), and (e) only
Successfully adopting a comprehensive organizational software system is a major project requiring strong support from top leadership and a significant investment in teaching employees how to use the new tools. These systems aim to unify a company's data and standardize its processes, leading to much better coordination across departments. It is a complex and long-term effort that, when done correctly, provides a single, reliable source of truth for all business operations and decisions.

101. (C) Variance
Measuring the consistency of a dataset involves looking at how much individual values differ from the arithmetic average. One fundamental metric is calculated by finding the distance of each point from the mean, squaring those distances, and then averaging the results. This squared value provides a clear mathematical measure of the overall scatter or spread within the data, serving as a key component for many other statistical calculations used to analyze data variability.

102. (A) λ
In certain probability models used to describe the frequency of events over time or space, the average number of occurrences has a unique relationship with the measure of spread. For this specific distribution, the value that represents the typical rate of events is exactly equal to the value that describes the variability. This simplicity makes it a very useful tool for researchers to predict outcomes and understand the consistency of random occurrences in various scenarios.

103. (C) Leading/Biased question
The way a question is framed can significantly influence how a person responds, which can lead to inaccurate research results. Using positive adjectives or suggestive language hints at what the expected answer should be, rather than allowing the respondent to provide their own unbiased opinion. This flaw in questionnaire design compromises the validity of the data, as it measures the influence of the wording rather than the actual feelings or behaviors of the target audience.

104. (C) Sampling Frame - A list from which a sample is to be drawn.
A vital prerequisite for conducting scientific research is having a clear and complete directory of all individuals or units that could be included in the study. This list serves as the practical source from which a representative group is systematically selected. Without such a comprehensive register, it is impossible to ensure that every member of the target population has

Downloaded from www.pdf.tube

beginning, the organization ensures that the subsequent steps of measurement and analysis are focused on the most important issues for sustainable results.

89. (C) Simplicity but often yields a high-cost initial solution.
One simple method for finding a starting point in logistics optimization involves allocating resources by following a rigid pattern from the top-left of a cost table. While this approach is very easy to understand and use, it does not consider the actual transportation costs in each cell. As a result, the initial plan it produces is often much more expensive than necessary, requiring several more steps of refinement to reach efficiency.

90. (D) Zero slack.
The sequence of tasks that determines the minimum time needed to finish a project is a top priority for management. Because the activities on this path have no flexibility or extra time built in, any delay in completing them will cause the entire project to fall behind schedule. By monitoring these specific tasks closely, managers can focus their attention and resources where they are most needed to ensure the project is delivered timely.

91. (C) The data contains significant outliers.
When a dataset contains values that are much higher or lower than the rest, the arithmetic average can be pulled toward those extremes, giving a misleading picture of the center. In these cases, the value that sits exactly in the middle of the sorted list provides a more stable and representative measure. This approach ensures that a few unusual data points do not distort the overall summary, making it better for skewed distributions.

92. (B) It is asymptotic to the x-axis.
The bell-shaped curve that represents many natural occurrences has a unique mathematical property where the ends of the curve get closer and closer to the horizontal axis but never actually touch it. This signifies that while extreme values become increasingly unlikely, they are still theoretically possible. This feature, combined with its perfect symmetry around the center, makes it a fundamental tool for statistical analysis and for understanding the probability of various outcomes.

93. (B) Convenience sampling
In some research situations, participants are selected simply because they are easy to reach and willing to take part. This non-probability method is often used for quick, preliminary studies or when resources are very limited. While it can provide some initial insights, the results cannot be easily generalized to a larger population because the people who happen to be available might not represent the broader group in terms of their opinions or behaviors.

94. (B) The model is a good fit, with the independent variable explaining a large portion of the variation in the dependent variable.
When a mathematical model shows a strong fit with the observed data, it indicates that the factors being studied are very effective at explaining the patterns in the outcome. A high value for this specific statistic means that a large portion of the differences seen in the results can be accounted for by the inputs of the model. This makes the relationship more predictable and suggests that the model is a reliable tool for researchers.

95. (B) To assign specific jobs to specific work centers or machines.
The activity of assigning specific jobs to individual work centers or machines is a vital part of short-term production planning. It ensures that the organization's capacity is being used effectively and that work is distributed according to the available resources. By carefully managing this assignment, a company can prevent bottlenecks in some areas while others are underused, leading to a more balanced and efficient flow of work through the entire system.

96. (C) Benchmarking – Comparing against the best
Various management tools have specific focuses and goals. For example, some emphasize daily, small-scale changes, while others aim for extremely high precision and low defect rates. One particularly effective strategy involves identifying the best performers in a given area and using their standards as a target for one's own improvement. This outward-looking approach helps an organization to understand what is

NODIA

65. (C) Is worded in a way that suggests a particular answer.
Designing a survey requires careful wording to avoid influencing the respondent's answer. A question that is structured in a way that hints at a preferred response or contains biased language can skew the results and compromise the integrity of the data. Such questions prevent researchers from gathering genuine, unbiased opinions, which is essential for making accurate conclusions and informed decisions based on the feedback collected from the targeted research audience.

66. (B) A parameter describes a population, while a statistic describes a sample.
Statistical terminology distinguishes between values that describe an entire group and those calculated from a smaller subset. A numerical measure that summarizes a characteristic for every single member of a population is a fundamental fixed value, though often unknown. In contrast, the corresponding value derived from a sample is an estimate that can vary from one selection to another. This distinction is crucial for understanding how we draw conclusions from limited data.

67. (A) (a), (d), (b), (c), (e)
Establishing a representative sample follows a logical progression of steps to ensure accuracy. It begins with a clear definition of the group to be studied, followed by the identification of a practical list of all members. Once the source is ready, a specific selection method and the necessary number of participants are determined. Finally, the plan is put into action to gather the actual data, ensuring the process remains scientifically sound and unbiased.

68. (B) Two sample variances
Comparing the variability within two different sets of data is a core function of certain statistical evaluations. This test uses a ratio of the squared deviations from each sample to determine if one group is significantly more inconsistent than the other. This comparison of variances is not only useful on its own but also forms the mathematical basis for more complex analyses that evaluate the equality of means across multiple groups or treatments.

69. (A) A correlation coefficient of 0 implies that there is no relationship between the variables.
When the mathematical relationship between two variables is represented by zero, it specifically means that no straight-line or linear connection exists between them. However, this does not automatically rule out other types of relationships, such as a curved or non-linear pattern. Therefore, concluding that there is no relationship whatsoever can be misleading, as the variables might still be linked in a more complex way that the standard linear measure cannot detect.

70. (D) Long-term issues like facility location, capacity, and technology.
High-level management choices in production and services focus on the fundamental capabilities and direction of the organization. These decisions have long-lasting effects and involve significant capital investment, such as determining the best location for a factory or selecting the overall manufacturing technology. Unlike daily scheduling or routine inventory checks, these strategic issues shape the firm's ability to compete in the market and meet customer demand over many years into the future.

71. (C) Aircraft carriers
When a product is exceptionally large, heavy, or fragile, it is impractical to move it through various workstations during the manufacturing process. In these cases, the item remains stationary, and all necessary resources, including workers, tools, and materials, are brought to the site. This approach is essential for massive projects like shipbuilding or large-scale construction, where the sheer scale of the output dictates the structure of the entire production environment.

72. (B) Planning, installation, configuration, training, and go-live.
The complex process of adopting a new organizational software suite involves several critical stages beyond the initial purchase. This includes detailed planning of the transition, setting up the system to match the company's needs, and providing comprehensive instruction to the staff. The process culminates in the actual launch of the system and the initial period of support to ensure all business functions are

Click Here to Buy book on Amazon

a known and fair chance of being chosen, which is essential for making accurate generalizations.

105. (C) Statement I is true, but Statement II is false.
In the framework of hypothesis testing, the ability of a test to correctly identify a real effect or difference is a critical measure of its quality. This probability represents the chance of rejecting a baseline assumption when it is indeed incorrect in the real world. This value is distinct from the significance level and is influenced by several factors, including the size of the sample and the actual size of the effect being studied by researchers.

106. (C) Facility location
Choices in operations management vary in terms of how long they affect the organization and how difficult they are to change. Some involve daily adjustments, while others shape the company's capabilities for many years. Selecting the best physical site for a major factory is a foundational decision that involves huge capital investment and permanent infrastructure. Because of its long-lasting impact and the high cost of reversal, it represents the most strategic and long-term level.

107. (A) (b), (a), (d), (c), (e)
Arranging the physical space of an organization follows a logical series of steps to ensure the best outcome. It starts with a clear statement of the problem and the goals of the layout. Next, relevant data is gathered and analyzed to understand the requirements. Based on this, several different options are created and then carefully compared to find the most effective one. Finally, the chosen design is put into place, ensuring a systematic improvement.

108. (A) Group machines into cells for families of similar parts.
A modern approach to facility design involves grouping different types of machines into small, self-contained units to produce a specific family of similar parts. This arrangement combines the efficiency of a high-volume line with the flexibility to handle a variety of related items. By organizing work in this way, a company can significantly reduce the time and distance materials must travel, leading to faster production cycles, lower inventory levels, and improved overall quality and organizational responsiveness.

109. (C) Supply Chain Management (SCM)
A core component of integrated organizational software is dedicated to managing the flow of materials and information from the initial purchase of supplies through to the final delivery of products. This module coordinates complex activities such as procurement, manufacturing schedules, and distribution logistics. By providing a unified view of the entire value chain, it helps businesses to operate more efficiently, reduce waste, and respond more quickly to changes in customer demand and market conditions.

110. (D) The software having too many features.
Adopting a major organizational software system is a difficult process that can fail for many reasons, such as poor leadership, lack of staff instruction, or having goals that are not grounded in reality. However, the presence of many different features and capabilities in the software itself is generally not the cause of failure. In fact, having a wide range of functions can be a benefit, as long as the organization manages the implementation process effectively.

111. (A) Both A and R are true and R is the correct explanation of A.
A popular visual tool for managing projects provides a clear and simple way to track the progress of various activities over time. It uses horizontal bars to show when each task is supposed to start and finish, and it can also display the actual progress made. This allows managers to see at a glance if the project is on schedule or if there are any delays that need attention, making it an essential scheduling tool.

112. (B) Identifying the root causes of a problem.
A specialized quality management tool helps teams to systematically brainstorm and organize the potential causes of a specific problem. By categorizing these factors into groups like people, processes, and equipment, the diagram provides a clear visual map of all the things that could be contributing to the issue. This structured approach allows researchers to look beyond the obvious symptoms and identify the underlying root causes, which is essential for developing effective and lasting solutions.

Downloaded from www.pdf.tube

have any influence on the others, providing a consistent mathematical framework.

81. (B) Stratified sampling
When a population contains groups that are very different from each other but similar within themselves, a specific selection technique is used to ensure accuracy. By first identifying these distinct layers and then drawing random participants from each one, researchers can ensure that every significant subgroup is represented in the final sample. This approach increases the overall reliability of data and allows for more precise comparisons between different segments of the entire population.

82. (A) Reject the null hypothesis.
Statistical inference involves comparing the observed evidence from a sample to a predetermined threshold of risk. If the probability of getting the sample results by pure chance is lower than the chosen significance level, it suggests that the findings are meaningful. In this situation, the researcher concludes that the initial baseline assumption is likely incorrect and chooses to support the alternative theory, as the evidence is strong enough to move beyond coincidence.

83. (A) P-3, Q-4, R-2, S-1
Choosing the right statistical tool depends on the nature of data and the specific question being asked. Comparing averages of exactly two small groups requires one approach, while looking at three or more groups simultaneously requires a different technique. Additionally, checking for patterns between categories or comparing means when large samples are available involves other specialized methods. Selecting the correct test is essential for ensuring that research results are valid and meaningful.

84. (B) Grouping similar equipment or functions together.
An organizational layout that groups together similar machines or departments based on the type of work they perform is highly adaptable. This configuration allows different products to follow their own unique paths through the facility, making it ideal for low-volume, high-variety production. By organizing resources by function rather than by a specific product sequence, the facility can easily handle a wide range of different orders and respond to changing customer needs effectively.

85. (B) Improved data visibility and integration across the organization.
Adopting a centralized software system provides a major advantage by breaking down the barriers between different departments. By allowing everyone to access and share the same information in real time, the organization can achieve much higher levels of coordination and transparency. This integration reduces errors caused by inconsistent data and allows managers to have a clear, comprehensive view of entire company operations, leading to faster and more accurate decision-making across the board.

86. (A) Both A and R are true and R is the correct explanation of A.
A fundamental goal of managing business operations is ensuring that the organization can provide enough products or services to meet the needs of its customers. When the availability of resources does not match the level of interest in the market, it can lead to significant problems such as lost revenue or the high costs of holding extra items. Achieving this equilibrium is essential for maintaining profitability, satisfying customers, and ensuring long-term stability.

87. (A) The use of statistical methods to monitor and maintain the quality of products and services.
The application of mathematical and scientific methods to monitor the performance of a process is a key part of modern quality management. This approach uses data from the system to determine if it is operating consistently and within its design limits. By identifying and correcting problems as they happen, organizations can maintain a high level of quality and reduce waste, rather than just inspecting finished products to find defects after production.

88. (A) Define
The first stage of a structured process improvement project focuses on clearly establishing the boundaries and objectives of the effort. This involves identifying the specific problem to be addressed, the customers who are affected, and the goals that the team hopes to achieve. By setting a clear direction at the very

NODIA

to reject this baseline claim and support the alternative theory.

121. (B) Strength and direction of the linear relationship between two variables.
A numerical measure is used to describe how two variables are related in a straight-line pattern. This value indicates not only how strong the connection is but also whether the variables move in the same or opposite directions. It is important to remember that while this statistic shows how factors are linked, it does not prove that one factor is causing the change in the other. It simply provides a mathematical summary of linear association.

122. (A) It involves managing the transformation processes that create goods and services.
The management of organizational processes is centered on the vital task of converting various inputs into valuable products and services. This function is not limited to any single industry but is essential for both manufacturing and service businesses. It involves overseeing everything from the initial design of the process to the final delivery, with a constant focus on improving efficiency, ensuring quality, and creating the most value for customers through the transformation cycle.

123. (D) The company's internal marketing slogan.
Choosing the specific spot for a new building involves a detailed look at many practical factors that will affect the business's long-term success. Managers evaluate things like local laws, the cost of power and water, and the impact the facility will have on the environment. While the company's internal marketing messages are important for branding, they do not play a role in the technical and economic analysis of whether a particular physical location is good.

124. (B) (a), (b), (c), and (d) only
While adopting an integrated organizational software system offers many benefits, it also presents several major challenges. The total cost of purchasing and maintaining the system can be very high, and the process of setting it up and training everyone is often complex and difficult. Furthermore, organizations frequently face resistance from employees who are used to their old ways of working. These systems can also be somewhat rigid, requiring companies to change their internal processes.

125. (A) Minimizing average job completion time.
Handling tasks in the order they arrive is often seen as a fair way to manage a queue, but it is not always the most effective for overall performance. This simple method does not consider the different amounts of time each task takes or their deadlines. As a result, it often leads to longer average waiting times for everyone compared to other rules that prioritize shorter tasks. While easy to use, it can be less efficient.

126. (B) A long-term commitment to continuous improvement and customer satisfaction.
A modern approach to quality is not just about a single department's activities but is a broad mindset that shapes the entire organization. It is driven by a deep, long-term commitment to constantly improving every process and ensuring that every customer is fully satisfied. This philosophy requires a shift in culture where every employee feels responsible for quality, leading to better products, more efficient operations, and a stronger reputation in the market.

127. (C) It is a voluntary group of employees who meet regularly to discuss and solve work-related problems.
One effective way to engage employees in improvement is through small groups of workers who choose to meet regularly to discuss their daily tasks. These teams use their firsthand experience to identify problems and suggest practical ways to make their work better, safer, or more efficient. Because participation is voluntary, it helps to build a sense of ownership and empowerment among the staff, leading to a more collaborative and proactive environment where ideas are valued.

128. (C) To identify, understand, and adapt outstanding practices from others to improve performance.
The core concept of this improvement strategy is to look beyond the walls of your own organization to see how others are achieving exceptional results. By studying the best practices of industry leaders and adapting them to your own processes, you can accelerate your own growth and avoid repeating common mistakes. This systematic approach to learning from

Click Here to Buy book on Amazon

113. (B) P-3, Q-1, R-2, S-4
The field of modern quality management has been shaped by the work of several influential thinkers, each contributing unique ideas and tools. Some emphasized the importance of leadership and a structured approach to change, while others focused on the idea that quality should be built into the process rather than inspected later. Their contributions range from specific mathematical tools and diagrams to broad philosophies that have transformed how organizations around the world manage their operations.

114. (A) It is a certification of a product's quality.
International standards provide a recognized framework for evaluating how well a company manages its internal operations to ensure consistent quality. It is important to understand that this certification applies to the management systems and processes themselves, rather than being a specific guarantee for the quality of a single product. By maintaining these standards through regular audits, an organization can demonstrate its ongoing commitment to excellence and its ability to consistently meet customer and regulatory requirements.

115. (A) Maximin
When a manager faces a decision with uncertain outcomes and wants to take a cautious or pessimistic approach, they may use a specific logical rule. This method involves looking at each possible alternative and identifying the worst thing that could happen for each one. The decision-maker then chooses the option where the worst outcome is better than the worst outcomes of all other choices. This conservative strategy ensures a minimum level of performance regardless of outcomes.

116. (C) The number of trials is fixed.
One of the defining features of this specific probability model is that it applies to a set of trials where the total number of attempts is known and does not change. Each of these attempts must have exactly two possible outcomes, and the chance of success must be the same every time. This structure provides a consistent mathematical way to calculate the probability of getting a certain number of successful results in many different research contexts.

117. (C) Data published in a government census report.
In many research projects, it is helpful to use information that has already been gathered and published by other organizations for their own purposes. Examples include reports from government agencies, industry publications, or previous academic studies. While this type of information may not be perfectly tailored to the current researcher's specific needs, it is much faster and cheaper to obtain than gathering new data firsthand, providing a valuable starting point for understanding a research topic.

118. (B) All elements in randomly selected groups are included in the sample.
A practical way to sample a large and geographically spread-out population involves dividing it into naturally occurring groups. Instead of picking individuals from the entire population, the researcher randomly selects several of these entire groups. Every single member within the chosen groups is then included in the final study. This approach can significantly reduce the time and cost of data collection, especially when the groups are already well-defined, such as city blocks or departments.

119. (B) The population standard deviation is unknown and the sample size is small.
Choosing between two common tests for comparing means depends on how much is known about the population and the size of the sample available. When a researcher is working with a small group of participants and does not have a reliable measure of the overall population's variability, a specific distribution is used to account for the extra uncertainty. This adjustment ensures that the resulting statistical conclusions are accurate even when the data is limited for research.

120. (C) The new drug has no effect on blood pressure.
The formal starting point for scientific testing is a statement that assumes no change or relationship exists in the population being studied. In the case of testing a new medical treatment, this assumption would be that the treatment has absolutely no impact on the condition being measured. The goal of the research is then to see if the data provides strong enough evidence

NODIA

137. (A) Marketing, Operations, Finance/Accounting
Successful organizations rely on the close cooperation of three main departments that perform distinct but essential roles. One group is responsible for creating interest and finding customers, another focuses on the actual production of goods or delivery of services, and the third manages financial resources and records. Because these functions are so closely linked, they must work together as a unified system to ensure the company can efficiently create value and achieve overall business goals.

138. (C) Process layout
An environment where every order is different and requires a unique set of tasks is best served by a flexible arrangement of resources. In this type of facility, similar machines or specialized workers are grouped together into departments. This allows each individual job to be routed through only the specific areas it needs, in whatever order is necessary. This setup is common in places like custom workshops or full-service restaurants where variety is more important than speed.

139. (A) Enterprise Resource Planning
Modern companies use a comprehensive type of software to manage and integrate all of their most important business functions in one place. The name of this system refers to the strategic planning of every resource an organization has, from its money and people to its materials and equipment. By connecting all these areas through a central database, the software helps the entire organization work more efficiently, share information instantly, and make better-informed decisions for the future.

140. (C) Six Sigma
A high-precision methodology for improving quality and reducing errors uses a very specific, five-step framework to guide every project. This structured approach starts by defining the problem, continues through measuring and analyzing data to find root causes, and then moves to implementing and controlling the improvements. By following this logical sequence, organizations can achieve extremely low defect rates and significant cost savings, making it a very effective tool for achieving and maintaining world-class organizational excellence.

141. (C) Allocating as much as possible to the feasible cell with the lowest transportation cost.
One effective way to find a starting plan for moving goods between several locations involves prioritizing the cheapest available routes. The process starts by looking at the entire cost table and choosing the cell with the lowest shipping rate. As much as possible is allocated to that route, and the process is repeated for the remaining available cells. This results in an initial plan that is more efficient and economical than a purely mechanical approach.

142. (B) The activity lies on the critical path.
In the planning of a project, identifying tasks that have absolutely no flexibility in their schedule is crucial for success. These activities are part of the critical path, meaning that any delay in starting or finishing them will immediately push back the final completion date for the whole project. Because these tasks are so time-sensitive, they require the most attention from management to ensure that resources are available and everything stays exactly on track.

143. (A) The probability of an event in the future is independent of how much time has already passed.
One unique feature of certain continuous probability models is that the history of a process does not influence what will happen next. This means that if you are waiting for an event to occur, the fact that you have already been waiting for a long time does not make the event any more likely to happen in the very near future. This property is very useful for modeling random arrivals or the failure of electronic parts.

144. (B) Ask for income in broad categories or ranges.
Asking for personal or financial details can often make people uncomfortable, leading them to give inaccurate answers or skip the question entirely. A much better approach is to offer a list of pre-defined ranges or categories for them to choose from. This provides respondents with a greater sense of privacy while still giving researchers the valuable data they need for their analysis. By being sensitive to participant feelings, researchers can improve overall survey data quality.

Downloaded from www.pdf.tube

145. (A) Stratified samples every group; cluster samples all elements in few groups.
These two common ways of selecting a sample differ in how they use groups within a population. One method ensures that every group is represented by taking a few individuals from each one, which is great for precision. The other method involves picking a few entire groups and studying everyone in them, which is often much easier and cheaper to do. Understanding these differences helps researchers choose the best approach for their specific goals and resources.

146. (B) The probability of observing an extreme statistic if the null is true.
In the evaluation of research data, a specific probability value tells us how likely it is that our findings were just a result of random chance. A very low value indicates that the observed patterns would be extremely unusual if the initial baseline assumption were true. This provides a clear mathematical way to decide if the evidence is strong enough to support a new theory, helping to ensure that scientific conclusions are based on solid data.

147. (A) Functional layout
Arranging an organization's physical space by grouping similar types of equipment or activities together is a highly adaptable way to manage work. Because this setup organizes the facility based on the specific tasks or functions being performed, it is often known by a name that reflects this functional approach. This configuration is perfect for environments that handle many different types of jobs, as it allows for customized paths for each one through various specialized departments.

148. (B) (a), (b), and (e) only
Comprehensive organizational software systems are designed to bring together every different part of a company into a single, unified whole. They achieve this by using a shared central database that allows information to flow instantly between departments like sales, finance, and manufacturing. This integration ensures that everyone is working with the same accurate and up-to-date information, which helps the company to operate more smoothly, eliminate errors caused by conflicting data, and make effective decisions.

149. (B) Getting long jobs out of the way to free up capacity.
While many ways of organizing tasks focus on speed or deadlines, another approach gives priority to the jobs that will take the most time to finish. The goal of this rule is often to get the most demanding work started as early as possible so that capacity is freed up later for other tasks. While this might not be the most efficient for average waiting times, it can be a useful strategy in specific management environments.

150. (A) (c), (d), (a), (b)
The way organizations manage quality has evolved over many years, starting with the application of mathematical tools to monitor processes. This was followed by the development of small employee groups to solve local problems. Later, broad philosophies that involve the entire organization emerged, and finally, highly precise and data-driven methodologies became the standard for world-class excellence. Understanding this history helps to see how current practices have been built on a foundation of earlier ideas and tools.

151. (C) Decision theory
Choosing between several different options when the future is not clear requires a structured way to evaluate the potential risks and rewards. This field of study provides managers with logical tools to analyze their choices, considering both the possible outcomes and the likelihood of each one happening. By using these techniques, a leader can make a more consistent and well-reasoned choice, even when facing uncertainty about market demand or other external organizational factors.

152. (A) Mean > Median > Mode
When a dataset has a few values that are much higher than the rest, the shape of the frequency curve is pulled out toward the right. This causes the arithmetic average to be the highest of the central measures because it is most affected by those large values. The middle value stays more toward the center, while the most frequent value remains at the peak of the curve. Understanding this relationship helps in interpreting the data balance.

NODIA

153. (C) Non-probability sampling
In many research studies, it is not possible to give every member of a population a known chance of being included. Instead, participants are selected based on other factors, such as their convenience, their specific expertise, or the researcher's own judgment. Because the probability of selection for any individual is not calculated or known, the resulting group might not be a perfect statistical representation of the whole population, making it difficult to generalize findings.

154. (A) Both Statement I and Statement II are true.
Certain statistical tests are highly adaptable because they do not require the data to follow a specific, predetermined pattern like a bell-shaped curve. These methods are particularly useful for analyzing categorical information or for situations where the population being studied is not well understood. By avoiding rigid assumptions about the shape of the distribution, these tools provide a reliable way to test for relationships and differences in a wide range of real-world research scenarios.

155. (B) Y-intercept, which is the predicted value of Y when X is 0.
In a mathematical model that describes the relationship between two variables, one value indicates where the line crosses the vertical axis. This number represents the predicted result for the outcome variable in the hypothetical situation where the input variable is equal to zero. This value provides a necessary starting point for the linear equation and is an essential part of making accurate predictions based on the observed data and the calculated slope of the relationship.

156. (B) Converts inputs into outputs (goods and services).
At the heart of any operations system is the activity that actually adds value by changing various resources into the desired final products or services. This stage involves taking inputs like labor, equipment, and information and applying the necessary methods and effort to create something new. By focusing on this conversion step, managers can find ways to improve efficiency, enhance quality, and ensure that the organization is meeting its goals in the most effective way.

157. (C) Human Capital Management (HCM) / Human Resources (HR)
A critical part of an integrated organizational software system is dedicated to managing all aspects of the company's workforce. This includes keeping accurate records for every employee, administering their pay and benefits, and tracking their performance and development over time. By centralizing this information, the system helps the company to manage its people more effectively, ensure compliance with laws and regulations, and provide managers with a clear view of human resources across all different departments.

158. (B) Shortest Processing Time (SPT)
One common and effective way to organize a list of waiting tasks is to prioritize the ones that can be finished the fastest. This simple rule is mathematically proven to minimize the average time that jobs spend waiting in the system, which also helps to reduce the total number of jobs that are waiting at any given time. By clearing out the short tasks quickly, an organization can improve its overall throughput and responsiveness in service.

159. (D) Focus on individual performance over team performance
A comprehensive approach to quality is based on several core ideas, such as focusing on the needs of the customer, making constant improvements to processes, and giving every employee the power and tools to contribute to excellence. One thing it does not do is emphasize the success of individuals over the collective effort of the group. Instead, it values teamwork and collaboration, recognizing that the highest levels of quality are achieved through groups.

160. (B) P-3, Q-4, R-1, S-2
Different management tools have specialized roles in ensuring excellence and efficiency. Some provide a structured way to improve existing processes through a series of data-driven steps, while others focus on daily, small-scale enhancements by every employee. Additionally, visual tools like charts are used to monitor process stability over time, and external comparisons help in setting targets by studying industry leaders. Together, these concepts

Click Here to Buy book on Amazon

customers and follow all necessary regulations in management.

209. (C) Queuing Theory
Managers of service systems often face a difficult choice between the cost of having more staff and the cost of making customers wait too long. This field of mathematical study provides a structured way to analyze this trade-off by modeling the arrival of customers and the time it takes to serve them. By using these tools, a leader can determine the most efficient number of servers and the best service process to minimize total costs, leading to better efficiency.

210. (B) PERT uses probabilistic time estimates, while CPM uses deterministic time estimates.
Two major project management tools differ in how they treat the duration of tasks. One method assumes that the time needed for each activity is known for certain, making it ideal for repetitive projects like construction where tasks are well-understood. The other approach is designed for unique, research-oriented projects where there is more uncertainty. It uses a range of three estimates to calculate a probable duration for each task, providing a more realistic way to manage risk.

211. (C) Median
When describing a set of data, it is often helpful to find the value that sits exactly at the halfway point. This measure divides a collection of numbers into two equal halves, ensuring that 50 percent of the observations are above it and 50 percent are below it. This makes it a very stable and reliable summary of the center, especially in situations where a few extreme values might otherwise pull the average toward the extremes.

212. (A) The extent to which a measure accurately reflects the concept it is intended to measure.
The quality of research depends on whether the tools being used are actually measuring what they are supposed to measure. This concept refers to the accuracy and truthfulness of a survey or test instrument in capturing the specific idea or behavior it was designed to study. Ensuring that a measure is truly relevant and accurate is a fundamental part of good research design, as it provides a solid and trustworthy foundation for making correct scientific conclusions.

213. (C) Statement I is true, but Statement II is false.
One common way to select a sample from a list involves picking a random starting point and then choosing every fixed nth person. While this method follows a clear and structured pattern, it is actually a type of probability sampling because every individual on the list has a known and equal chance of being selected, as long as the starting point is random. This approach is often easier to use than picking purely random numbers while providing a representative sample.

214. (C) P(Reject H_0 | H_1 is true)
In the framework of statistical evaluation, it is essential to know how sensitive a test is to real effects or differences. This probability represents the chance of correctly rejecting a baseline assumption when the alternative theory is actually true in the real world. A higher value means the test is more likely to find a significant result when one truly exists, which is the primary goal of most research studies. This measure is vital for reliable data analysis.

NODIA

215. (A) Minimizes the sum of the squared differences between actual and predicted values.
A common mathematical way to find the best-fitting straight line for a set of data points focuses on the differences between the actual results and the ones predicted by the line. The technique calculates the square of each of these differences and finds the specific line that makes the total sum of these squared values as small as possible. This approach provides a clear and objective way to model relationships, ensuring the final line is close to all data.

216. (C) Deciding which worker will operate which machine today.
Management choices in production and services that deal with very short-term, day-to-day activities are categorized as being at the most immediate level. This includes tasks such as deciding which specific employee will work on a particular machine during a shift or setting the exact sequence of jobs for the day. These frequent and routine decisions ensure that the organization's resources are being used correctly and that the daily work is flowing smoothly toward meeting short-term organizational goals.

adjustments to ensure that the organization remains timely.

169. (C) A process where the nearest specification limit is at least six standard deviations away from the mean.
A high-precision approach to quality management uses a statistical term to describe a process that is extremely consistent and reliable. The name refers to a situation where the nearest limit for what is considered acceptable is a very large distance away from the average performance of the system. This ensures that even when there is some natural variation, the number of defective items produced is kept to an absolute minimum, resulting in near-perfect quality.

170. (C) Everyone should be involved in making small improvements on an ongoing basis.
A powerful mindset for organizational improvement is based on the idea that everyone should be constantly looking for small ways to make their daily work better. Rather than relying on a few large-scale changes driven from the top, this approach encourages every single employee to contribute ongoing, minor enhancements to quality and efficiency. By building a culture where small gains are made every day by everyone, an organization can achieve steady, sustainable progress over time.

171. (A) Optimist
When a decision-maker is very positive about the future and wants to go for the best possible outcome, they may use a specific logical rule. This method involves looking at each alternative and identifying the highest possible payoff for each one. The person then chooses the option that has the absolute highest payoff overall, ignoring any potential risks or bad results. This optimistic strategy is designed to maximize the potential gain, assuming favorable states occur.

172. (C) Both (A) and (B) are conditions under which it applies.
One of the most important ideas in statistics explains why the bell-shaped curve is so common in nature and research. It states that when we take the average of many independent samples from almost any population, the distribution of those averages will naturally tend to become more normal as we include more data points. This holds true regardless of the original shape of the population, provided that the sample size is large enough for analysis.

173. (A) All (a), (b), (c), (d), and (e) are correct and in sequence.
Following a structured and logical series of steps is essential for conducting a scientifically sound statistical evaluation. The process begins with a clear statement of the opposing claims to be tested, followed by the choice of a risk level and the collection and analysis of the sample data. Once a specific test value or probability is calculated, it is compared to the chosen standards to reach a final decision during the research study.

174. (C) 0.8 or -0.8
In the study of relationships between variables, two important statistics are closely linked. One provides a measure of how well a mathematical model fits the data, while the other describes the strength and direction of the linear connection between the factors. Because the value that represents the goodness of fit is equal to the square of the relationship measure, it is possible to calculate one from the other. This allows researchers to better understand data dynamics.

NODIA

175. (A) By reducing the cost of operations, thereby increasing efficiency.
The primary way that managing business processes contributes to an organization's success is by finding the most effective and efficient ways to convert resources into final goods or services. By reducing waste, improving productivity, and lowering the overall cost of doing business, operations management increases the value that the firm provides to its customers. This focus on efficiency not only improves profitability but also helps the company to compete more effectively by providing high-quality outputs.

176. (B) PERT Layout
There are several standard ways to arrange the physical space of an organization based on the nature of the work being done, such as grouping by product flow, by function, or by a fixed location for large items. However, some project management tools that are used to track the timing and sequence of activities in a network are not a type of physical arrangement. Understanding the difference between these

scheduling tools and the design of workspace is vital.

177. (B) Business processes may need to be re-engineered to fit the ERP software.
One of the most common and difficult parts of adopting a new organizational software system is the need to adjust how the company actually performs its daily business tasks. Because these systems are built on standardized workflows that represent industry best practices, they may not align perfectly with a firm's old, unique methods. This means the organization must often rethink and redesign its internal processes to get the most benefit from the software during the transition.

178. (C) Assign work to work centers.
A vital part of short-term production planning involves the systematic assignment of specific jobs to the individual machines or work areas that have the capacity to handle them. The goal of this process is to ensure that the organization's resources are being used as effectively as possible and that work is distributed evenly. By carefully managing this assignment, a company can prevent bottlenecks and idle time, leading to a more balanced and efficient flow of work.

179. (C) Quality management
International standards provide a recognized framework for organizations to demonstrate that they have effective systems in place for managing their internal operations and ensuring consistent results. These guidelines focus on the overall management practices that ensure products and services consistently meet the needs of customers and follow all necessary regulations. By following these standards, a company can improve its internal efficiency, build trust with its customers, and participate more easily in international trade with recognized proof.

180. (B) Is the longest in duration.
In the planning of a project, the most important sequence of activities to identify is the one that takes the most time from start to finish. This specific path through the network determines the minimum time needed to complete the entire project, and any delay in any of its tasks will immediately push back the final delivery date. By focusing on this longest path, managers can identify the most time-sensitive parts of the project for their resources.

181. (B) Bimodal
When a set of data is analyzed, it is common to look for the value that appears most frequently. In some cases, a dataset might have two different values that share this highest frequency, resulting in a distribution with two distinct peaks. This pattern often suggests that the population being studied might actually be made up of two different subgroups with their own typical characteristics. Recognizing this shape is important for a thorough understanding of the underlying dynamics.

182. (A) The sample is unlikely to be representative of the population.
Selecting participants based solely on how easy they are to reach is a quick and cheap method, but it has a very serious disadvantage. Because the group of people who happen to be available might have different opinions or characteristics than the broader population, the results of the study cannot be easily generalized to everyone. This lack of representativeness means that any conclusions drawn from such a sample should be treated with extreme caution in research.

183. (C) Statement I is true, but Statement II is false.
In the framework of statistical testing, there is a specific kind of mistake that occurs when we fail to reject a baseline assumption even though it is actually incorrect in the real world. This type of error is related to the power of the test and its ability to detect real effects. The probability of this happening is represented by a specific Greek letter, which is different from the one used for the risk of rejecting true assumptions.

184. (A) Simple linear regression
A common mathematical tool for analyzing relationships focuses on how one specific factor is influenced by another single predictor. By fitting a straight line to the data points, researchers can estimate the value of the outcome based on known changes in the input. This type of analysis is a fundamental part of forecasting and understanding cause-and-effect patterns in many different fields, providing a clear and simple way to model how two variables are linked in a relationship.

Downloaded from www.pdf.tube

185. (A) Strategic, Tactical, Operational
Management choices in production and services are categorized based on their time horizon and their overall impact on the organization. Some involve long-term, foundational issues like facility location and capacity, while others focus on intermediate planning for products and inventory. The most immediate level deals with day-to-day activities such as worker schedules and task assignments. Understanding these three levels helps managers to organize their efforts and ensure that daily actions are aligned with long-term organizational goals.

186. (A) To facilitate the flow of information, materials, and people.
The primary objective of arranging the physical space and resources of an organization is to create a smooth and efficient movement of information, people, and materials through the facility. A well-designed layout reduces waste, eliminates bottlenecks, and ensures that different departments can work together effectively. By optimizing the physical arrangement, a company can significantly improve its productivity, lower its operational costs, and create a better and safer environment for its employees to perform tasks.

187. (A) Both A and R are true and R is the correct explanation of A.
Modern organizations use a comprehensive type of software to consolidate their information and processes into a single, unified system. A key part of this approach is a central database that allows all different departments to access and share the same accurate data in real time. This integration ensures consistency across the whole company, eliminates the problem of having different versions of the truth in different departments, and provides a solid foundation for coordination.

188. (D) EDD (Earliest Due Date)
When an organization is trying to decide the best order for processing a list of waiting tasks, it may use several different rules based on its specific goals. If the primary focus is on being as reliable as possible in meeting customer commitments, giving priority to the tasks with the closest deadlines is often the best choice. This method is mathematically proven to be the most effective for minimizing the maximum amount of time jobs are late.

189. (A) Identify the most frequent or vital few causes of a problem.
A very useful quality tool is based on the idea that most problems are caused by just a few key factors. By creating a bar graph that shows the frequency or impact of each cause in descending order, teams can easily identify the vital few issues that deserve the most attention. This visual approach helps to prioritize improvement efforts, ensuring that resources are focused where they will have the greatest impact on reducing errors and costs.

190. (B) (a), (b), (c), and (d) only
Managers have several mathematical and logical tools to help them choose the best physical location for a new facility. These methods range from scoring different sites based on a set of important factors to finding a central point that minimizes shipping costs to multiple customers. Other techniques look at the costs of each option across different levels of production. By using these various analytical approaches, an organization can make a more objective and well-reasoned choice.

NODIA

191. (B) Meeting the requirements of the customer.
A comprehensive management philosophy for quality is centered on one main goal: ensuring that every product or service perfectly meets or exceeds the requirements of the person who uses it. This approach recognizes that the customer is the ultimate judge of quality and that satisfying their needs is the key to long-term business success. By building the entire organization around this focus, a company can ensure that all its processes are designed to create value.

192. (B) A group of workers who voluntarily meet to solve work-related quality problems.
Engaging employees in the process of improvement is often done through small, self-managed groups of workers who meet on their own accord. These teams focus on the specific tasks they perform every day, using their unique insights and experience to find better ways to solve problems and improve quality in their own work area. This participative approach not only leads to practical operational improvements but also helps to build a stronger sense of ownership and empowerment.

193. (C) Identify best practices to achieve performance improvements.
A proactive strategy for achieving excellence involves a systematic search for the best practices in any given area, whether they are found in competitors or in leaders from other industries. By studying these high performers and adapting their methods, an organization can find new ways to improve its own quality, speed, and efficiency. This outward-looking approach helps to set challenging but realistic goals and provides a clear roadmap for making significant and sustainable performance improvements.

194. (C) Six Sigma
A high-precision methodology for improving processes and reducing variability uses a very specific five-step cycle to guide every project toward success. This structured approach starts with a clear definition of the goal, followed by gathering data, finding root causes, and then implementing and sustaining the improvements. By following this logical and data-driven sequence, organizations can achieve extremely low error rates and significant savings, making it a powerful and widely recognized tool for achieving world-class excellence.

195. (A) P-3, Q-4, R-1, S-2
Operation research provides a set of specialized mathematical tools for solving different types of complex management problems. Some models focus on finding the cheapest way to move goods through a network, while others analyze the dynamics of waiting lines to improve service. Additionally, some techniques are used to manage project timelines and identify critical tasks, while others provide a framework for making choices when the future is uncertain. Choosing the right tool is essential for efficiency.

196. (C) The most frequently occurring value.
When describing a set of data, it is often helpful to find the value that is most typical or common. In statistics, this is defined as the number that appears with the highest frequency in the entire collection of observations. Unlike other measures that involve calculation or finding the middle position, this measure simply looks for the peak of the data. It is particularly useful for analyzing categorical information where finding an average is not meaningful.

197. (C) Exponential
In the study of events that happen randomly over time, such as customer arrivals or telephone calls, a specific continuous probability model is used to describe the duration between those events. This model is characterized by its memoryless property, meaning the chance of an event happening in the next second is always the same, no matter how long the wait has been. This makes it a vital tool for analyzing and designing service systems for organizational efficiency.

198. (B) Has pre-defined response options for the respondent to choose from.
When a researcher wants to collect data that can be easily analyzed and compared numerically, they use a specific type of question. These queries provide the respondent with a fixed list of pre-defined options to choose from, rather than allowing them to provide their own detailed answer. This structured approach ensures that the data is consistent and can be quickly summarized, making it a very efficient and effective way to gather information from many people.

199. (C) Cluster sampling
A practical way to study a large population involves dividing it into existing, naturally occurring groups and then randomly picking several of those entire groups for the study. In this method, every single member within the chosen groups is surveyed to collect the necessary data. This approach is often much easier and cheaper than trying to pick individual members from across the entire population, especially when the groups are already well-defined, such as schools or neighborhoods.

200. (C) The probability of rejecting a true null hypothesis (Type I Error).
In the formal process of testing a statistical hypothesis, researchers must decide how much risk they are willing to take of being wrong. This value represents the maximum probability of rejecting a baseline assumption when it is actually true in the real world. By setting this threshold at the beginning of the study, the researcher establishes a clear standard for how strong the evidence must be to support a new theory, helping ensure that scientific conclusions are sound.

Click Here to Buy book on Amazon

201. (B) A controlled experiment
While many statistical tools can show that two factors move together, establishing that one actually causes the other requires a more rigorous approach. This is best achieved by carefully manipulating one factor while keeping all other potential influences constant and then measuring the result. By controlling the environment in this way, researchers can be much more confident that the observed changes are directly caused by the factor they changed, providing a much stronger level of scientific evidence.

202. (C) Intermediate-term decisions related to aggregate planning and inventory management.
Intermediate-level management choices in production and services bridge the gap between long-term strategy and daily actions. These decisions typically look at a period of several months and involve activities like planning the overall production levels and managing the amount of inventory held by the company. By focusing on these mid-term issues, managers can ensure that the organization has the right resources in place to meet expected demand without the extreme costs of excess inventory or lost sales.

203. (A) (a), (c), and (d) only
Arranging a facility by grouping similar machines or departments together provides a very high level of flexibility for handling many different types of work. While this setup is great for customized orders, it often leads to higher levels of work waiting between stages because each job follows its own unique path through the facility. This functional arrangement is common in places like custom workshops or job shops, where variety is more important than assembly line speed.

204. (C) The go-live phase
The final and most critical stage of adopting a major organizational software system is the point at which the new system is actually put into use for daily business operations. This transition involves turning on the new platform and officially moving away from the old methods and programs. It is a major event that requires careful preparation and support to ensure that all business functions continue to operate smoothly as the entire organization begins to work within the environment.

205. (B) Due dates are important and processing times are known.
When an organization needs to balance the time left until a job is due with the amount of work remaining, it may use a specific mathematical index. This ratio provides a dynamic way to prioritize tasks by comparing their urgency to their requirements. If the value is low, it indicates that the job is already behind schedule and needs immediate attention. This method is particularly useful in complex environments where deadlines are changing and managers need a clear priority.

206. (C) Increased rework and scrap
A successful approach to total quality management offers many advantages, such as making customers happier, improving the morale of the employees, and enhancing the company's reputation in the market. However, it should lead to a decrease, not an increase, in the amount of work that has to be redone or the amount of materials that are wasted. By focusing on doing things right the first time and constantly improving processes, the organization becomes more efficient and sustainable.

207. (C) The best-in-class process, regardless of the industry.
A proactive strategy for improvement involves comparing a specific business activity with the very best version of that activity, regardless of what industry it is found in. For example, a hospital might look at a top hotel's process for checking in guests to improve its own patient admission procedures. By looking beyond direct competitors to the world-class performers in any field, an organization can find innovative and highly effective new ways to enhance its own functional performance.

NODIA

208. (D) A is false but R is true.
International standards for quality management are not awards for having the best product on the market. Instead, they provide a recognized certification that an organization has set up and is maintaining effective systems for managing its internal operations and ensuring consistent results. By meeting these requirements and passing regular audits, a company can demonstrate its commitment to quality and its ability to consistently meet the needs of its

provide a comprehensive toolkit for achieving and maintaining high organizational quality.

161. (B) Arrivals follow a Poisson distribution and service times follow an exponential distribution.
The most basic mathematical model for analyzing a single service point relies on two key assumptions about how the system operates. First, it assumes that customers arrive in a random pattern that follows a specific probability distribution over time. Second, it assumes that the time it takes to provide service to each customer also varies in a predictable, random way. These assumptions provide a consistent framework for calculating important metrics like average wait times in the system.

162. (A) The number of heads in 10 flips of a fair coin.
Modeling the number of successful outcomes in a series of independent attempts is a standard statistical application. This approach is ideal for situations where there are exactly two possible results for each trial, such as a coin toss resulting in either heads or tails. By using this model, researchers can calculate the probability of getting a specific number of successes over a fixed number of attempts, providing a valuable tool for prediction and analysis.

163. (C) Exploring qualitative insights and respondent's own words.
In some research situations, it is most helpful to allow people to provide their own detailed answers rather than choosing from a list of pre-defined options. This approach is excellent for exploring complex opinions, gathering new ideas, or understanding the unique perspectives and feelings of the participants in their own words. While these responses are more difficult to analyze numerically, they provide a level of qualitative depth and insight that is essential for comprehensive understanding.

164. (B) Reaching hard-to-find or hidden populations.
When a researcher is trying to find and study a group of people who are difficult to reach or who are not part of a public list, a specific referral-based technique is used. The process starts with a small number of participants who then help to find others who share the same characteristics. As each new person is added, the sample grows larger, much like a rolling ball of snow in scientific research studies.

165. (C) A is true but R is false.
Making a mistake in statistical testing is a constant risk that researchers must manage. One specific type of error occurs when the evidence from a sample leads to the dismissal of a baseline assumption that is actually true in the broader population. The probability of this happening is represented by a specific Greek letter, which is different from the one used to denote the risk of failing to reject a false assumption during a study.

166. (A) All of the above
Choosing the right location for a major new facility is a complex decision that involves balancing many different practical and economic concerns. Managers must consider how close the site is to their customers to keep delivery costs low, as well as the availability and cost of the necessary workers and materials. Because all of these factors significantly impact the long-term success and profitability of the organization, they must all be carefully evaluated together during analysis.

167. (A) Facilitate information flow between all business functions.
The primary purpose of adopting a comprehensive organizational software system is to create a seamless flow of data between every different function of the company. By replacing separate, disconnected programs with a single, integrated platform, the organization can ensure that everyone is working with the same accurate and up-to-date information. This integration breaks down departmental silos, improves coordination, and allows the entire business to operate more efficiently as a unified and well-coordinated system for the enterprise.

168. (B) Tracking the status of jobs and identifying any delays or problems.
Once a production plan has been put into action, it is essential to have a process for overseeing the actual progress of the work. This activity involves keeping track of where each job is in the facility and identifying any problems or delays as they occur. By constantly comparing the current status of tasks to the original schedule, managers can quickly respond to issues and make the necessary

Downloaded from www.pdf.tube

217. (D) Fixed-position layout
When a project is exceptionally large, heavy, or immobile, it is much more practical to build it in one place rather than moving it through various workstations. In these cases, the item remains stationary, and all necessary resources, including the skilled workers, tools, and materials, are brought directly to the construction site. This approach is essential for massive outputs like luxury yachts or large aircraft, where the scale and complexity of the product dictate the entire physical production environment.

218. (C) Measure
The second stage of a structured process improvement methodology focuses on gathering accurate data to understand the current state of performance. This involves identifying the key metrics that describe the process and then collecting the necessary information to establish a baseline. By having a clear and numerical picture of how things are working now, the organization can later determine if the changes they make are actually leading to a real and sustainable improvement in quality or organizational efficiency.

219. (B) Minimize total shipping cost.
The primary aim of this specialized optimization tool is to find the most economical way to distribute products across a network of suppliers and customers. By analyzing the shipping rates for every possible route, the mathematical model identifies the specific quantities that should be moved from each origin to each destination to reach the absolute lowest total shipping cost. This helps businesses manage their logistics more effectively, ensuring that all demand is met while minimizing the overall transportation expenditure.

220. (C) Minimax regret
A decision-maker who is concerned about making a choice that they might later regret may use a specific logical rule to evaluate their options. This method involves looking at each possible future situation and identifying how much could be lost by not picking the best alternative for that specific case. The person then chooses the option that ensures their maximum possible loss across all scenarios is kept as small as possible. This strategy is designed to provide a balanced decision-making approach.

221. (A) The curve is bell-shaped and symmetrical.
The symmetrical, bell-shaped curve that represents many natural occurrences has a unique property where its peak occurs exactly in the center. At this single point, the arithmetic average, the middle value, and the most frequent value all perfectly coincide. This shape indicates that most of the observations are clustered around the center, with values becoming less and less frequent as they move further away in either direction. This predictability makes it a fundamental and powerful statistical tool.

222. (C) Allows the respondent to answer in their own words.
In some research situations, it is most helpful to provide a space where people can answer in their own words rather than being limited to a list of pre-defined options. This approach allows the researcher to gather rich, detailed, and qualitative information about a person's thoughts, experiences, or feelings. While these answers are more time-consuming to analyze, they provide a depth of insight that is essential for a thorough understanding and can reveal new ideas for the researcher.

223. (D) Stratified sampling
Two common ways of selecting a sample use groups to ensure that certain parts of a population are represented. One method is based on random selection, where every person in each group has a known chance of being picked. The other method is its non-probability equivalent, where the researcher simply sets a target number for each group and picks people until that number is reached, without using a random process. Both aim to reflect the overall makeup of the research population.

224. (C) All ERP modules must be implemented at once for the system to work.
Comprehensive organizational software systems are designed to be flexible, allowing a company to choose which functions they want to integrate first. It is important to understand that an organization does not have to implement every single module at the same time for the system to be effective. In fact, many companies choose

NODIA

entire operation remains aligned with planned goals and efficiency targets.

291. (C) Six Sigma
Six Sigma is a highly disciplined and data-driven methodology used to improve process quality. It relies heavily on statistical analysis to identify and eliminate defects or errors, with the ultimate goal of achieving near-perfection in operations. This structured approach helps organizations reduce variability and enhance the consistency of their products and services through rigorous, evidence-based refinements of their processes.

292. (A) Making small, continuous, incremental improvements.
The cornerstone of the kaizen philosophy is the pursuit of continuous improvement through small, incremental changes. Rather than relying on radical or top-down transformations, it encourages all employees to contribute regular refinements to their work processes. This grassroots approach fosters a culture of ongoing quality enhancement and steady progress, leading to significant cumulative improvements in organizational performance over time.

293. (D) Benchmarking
Benchmarking is the process of comparing an organization's business processes and performance metrics against industry bests or best practices from other companies. When a management team studies a leader's logistics to improve their own operations, they are applying this tool. It provides a structured way to identify performance gaps and adopt proven strategies to enhance competitiveness and excellence.

294. (B) To act as a small group of employees solving work-related problems.
Quality circles consist of small groups of employees who meet on a regular basis to identify, analyze, and solve work-related problems. These groups serve as a practical mechanism for fostering employee involvement and driving quality principles at the grassroots level. By empowering workers to improve their own environments, organizations can leverage internal expertise to increase efficiency and high standards.

295. (C) A framework of standards for quality management systems.
The ISO 9000 series provides a comprehensive framework of formal standards for quality management systems. These standards ensure that organizations consistently meet both customer requirements and relevant regulatory mandates. By following this structured approach, firms can demonstrate their commitment to quality and provide assurance to stakeholders that their internal processes are managed effectively and subject to regular improvements.

296. (D) Transportation Problem
The transportation problem is a specialized model in operation research designed to find the most cost-effective way to distribute goods. It focuses on shipping items from multiple sources, such as factories, to multiple destinations, like warehouses, while satisfying supply and demand constraints. Managers use this quantitative technique to minimize total logistics costs and optimize the efficiency of distribution networks.

297. (A) Queuing Theory
Queuing theory is the mathematical study of waiting lines and is used to analyze service processes. It helps managers determine the optimal number of service channels, such as hospital receptionists, by balancing the cost of providing service with the cost of customer waiting time. This technique is essential for improving service levels and managing resource allocation in varied environments.

298. (B) PERT is used when activity times are uncertain, while CPM is used when they are known.
The key distinction between these two project management techniques lies in how they handle activity times. The critical path method is used when activity durations are known and deterministic. In contrast, the program evaluation and review technique is applied when times are uncertain or probabilistic. Both methods are essential for planning complex projects and identifying the sequence of tasks.

299. (B) The sequence of activities that determines the overall project duration.
The critical path in project management is defined as the specific sequence of activities that

Click Here to Buy book on Amazon

deep commitment to constantly improving every part of the organization. This philosophy is not a quick fix but a long-term journey that requires the active participation and support of every single employee and leader. By building these principles into the culture, a company can ensure that it is consistently creating high-quality outputs and operating efficiently.

233. (C) The rule by which customers in the queue are selected for service.
In the study of waiting lines, a key factor is the logical rule used to decide who will be served next from the people who are already in line. Common examples include serving the person who arrived first, or prioritizing those who have the most urgent needs or the shortest tasks. By choosing the right rule, a service system can improve its overall efficiency, manage customer expectations more fairly, and ensure that the most important or time-sensitive requests are handled timely.

234. (B) Correlation coefficient 'r' and regression coefficient 'b' will always have the same sign.
While these two common statistical tools are used for different purposes, they are linked by a shared underlying mathematical relationship. One measure describes how two variables move together, while the other provides a specific model to predict one from the other. An important feature they share is that their indicators of direction will always have the same sign. This consistency ensures that both tools agree on whether the relationship between the factors is positive or negative for interpretation.

235. (B) Analyze
The third stage of a structured process improvement methodology is dedicated to scrutinizing the data that has been collected to find the real reasons why problems are occurring. By using various statistical and logical tools, the project team looks for patterns and relationships to identify the root causes of errors or inefficiency. This deep dive into the information is essential for developing solutions that address the actual sources of the problem rather than just the obvious symptoms.

236. (C) State the null and alternative hypotheses.
Before any data is collected or any calculations are performed, the researcher must clearly define the two opposing claims that the study will evaluate. One claim assumes that there is no change or relationship in the population, serving as the starting point for the whole process. The other claim represents the new theory or the specific effect that the researcher hopes to demonstrate. Setting these statements first provides the necessary framework for choosing the right tests and interpreting results.

237. (C) Qualitative factors like community attitude should be ignored.
Choosing the right location for a major new facility involves a detailed evaluation of many different types of factors. While numerical data about costs and productivity are vital, it is a mistake to ignore the more subjective elements like the attitude of the local community. These intangible factors can have a huge impact on the long-term success of the business by affecting things like employee satisfaction and the ease of working with local governments. A thorough analysis considers all influences.

238. (C) Nearly all departments and functions within an organization.
Adopting a comprehensive organizational software system is a major undertaking that reaches far beyond the technical team. Because these systems are designed to unify every different business function in one place, they affect almost everyone in the company, from the people in finance and sales to those in manufacturing and human resources. Successfully making this transition requires a broad effort to rethink processes and teach new skills to everyone, ensuring the entire organization can work together effectively.

239. (A) (a), (b), and (e) only
Implementing an integrated organizational software system offers many major advantages for a modern business. By allowing everyone to share the same accurate information, the company can achieve much better coordination and transparency across all its different departments. This integration ensures that data is consistent everywhere, eliminates errors caused by conflicting reports, and gives managers a clear and detailed view of all the company's operations. Together, these benefits help the

Downloaded from www.pdf.tube

to start with a few core areas, such as finance or human resources, and then add more modules over time as they become comfortable with the software.

225. (A) P-3, Q-1, R-4, S-2
There are several different ways to organize a list of waiting tasks based on an organization's specific goals. Some methods focus on the order in which jobs arrive, while others prioritize the tasks that can be finished the fastest or those that have the most urgent deadlines. Additionally, some approaches might start with the most demanding work to manage capacity. Choosing the right rule is essential for optimizing performance and ensuring that the most important or time-sensitive commitments are met efficiently.

226. (C) Empowering employees to identify and solve problems in their own work area.
Creating a culture of excellence involves giving employees the chance to collaborate on improving their own work environment. These small groups use their firsthand knowledge to identify specific problems and find practical ways to solve them, leading to better quality, safer work, and more efficient processes. By empowering frontline workers in this way, an organization can achieve steady improvements while also increasing employee engagement and ownership, as everyone feels that their ideas and contributions are truly valued.

227. (C) The maximum possible time to complete an activity under the worst possible conditions.
When planning a complex project with a lot of uncertainty, it is helpful to consider what would happen if everything went wrong. This specific estimate represents the maximum amount of time a task could possibly take under the most unfavorable conditions. By including this worst-case scenario along with more positive views, project managers can calculate a more realistic expected duration and a better measure of the risks involved. This balanced approach helps in creating more reliable schedules and plans.

228. (B) (b), (a), (c)
Different physical arrangements of resources are suited for different levels of production. Some setups are best for building one unique, large item at a time, where variety is high but volume is low. Others group similar functions to handle many different small jobs. The most efficient arrangements for high-volume, standardized production are those where work flows in a single, fixed sequence. Moving from one to another involves a trade-off between flexibility to make different things and mass production speed.

229. (D) The probability of a Type I error decreases, and the probability of a Type II error increases.
When a researcher decides to be more cautious by choosing a stricter standard for evidence, it changes the balance of risks in the study. Setting a lower threshold for statistical significance makes it much less likely that they will accidentally reject a true baseline assumption, which is good for avoiding false positives. However, this stricter standard also makes it harder to reject a false assumption, increasing the risk of missing a real effect. Finding balance is essential for research.

230. (C) Operations Management
At the heart of any business is the process of taking various resources like people, equipment, and materials and using them to create final products or services. This vital activity of adding value through a conversion process is what this specific functional area is all about. It involves overseeing every part of the system to ensure that inputs are used efficiently, quality is maintained, and the organization is meeting the needs of its customers in the most effective way.

231. (B) Specify the timing of the use of resources such as equipment, facilities, and labor.
Short-term planning in production and services focuses on the exact timing of when each task should be performed and when each resource should be used. This activity ensures that the organization can meet its immediate commitments by organizing the flow of work and the assignment of staff and equipment. By carefully managing this timing, a company can avoid bottlenecks, reduce waiting times, and ensure that all available capacity is being used effectively to deliver products on time.

232. (B) (a), (b), and (c) only
A modern approach to quality is built on several foundational ideas, such as always keeping the needs of the customer in mind and having a

NODIA

this technique provides a representative sample while ensuring that every member has equal chances.

248. (B) More than two sample means
A common statistical tool is used when a researcher wants to know if there are significant differences between the averages of three or more independent groups. By comparing the variability between the group means with the variability within the groups themselves, the test can determine if at least one of the groups stands out as being different. This approach is essential for analyzing experimental data where multiple treatments or conditions are compared simultaneously to identify the most significant results.

249. (D) ISO 9000 - A quality award for best product
Various management tools have specific focuses and goals for excellence. Some emphasize daily, small-scale improvements, while others provide structured frameworks for high-precision projects. One international set of standards provides a recognized certification that an organization has effective management systems in place. It is important to remember that this certification applies to the internal processes themselves, rather than being an award for having the best product on the market compared to all other competitors in the global industry.

250. (A) Add value for the customer through the transformation process.
The ultimate purpose of managing business processes is to ensure that the organization is creating the most possible value for its customers through the way it converts various resources into final goods or services. By constantly finding more efficient ways to work, maintaining high quality, and being responsive to changes in demand, the operations department ensures that the entire company can compete effectively and achieve its overall goals. This focus on adding value is essential for long-term success.

251. (B) The median
The median represents the middle value in an ordered dataset and is described as being robust in the face of extreme values. Unlike the arithmetic mean, which is susceptible to the influence of outliers, this measure remains stable. Consequently, it provides a more reliable center point for distributions containing unusually high or low data points within a specific dataset.

252. (A) The measures of dispersion
Managers must analyze variability to understand consistency because two datasets might share an identical mean while having different spreads. Measures of dispersion quantify the extent to which data points are clustered or spread out. Evaluating these metrics helps determine the level of risk and performance stability, leading to more informed strategic conclusions and comprehensive performance assessments of the teams.

253. (C) A comprehensive analysis requires understanding both central tendency for a typical value and dispersion for variability.
A thorough evaluation of a dataset requires understanding both the central tendency for identifying a typical value and dispersion for measuring variability. While measures of central tendency pinpoint the center of a distribution, dispersion tools like standard deviation provide insights into consistency. Combining both approaches allows managers to distinguish between datasets that appear similar based on their averages alone.

254. (D) It provides a simple and potentially crude indication of spread.
The range is characterized as a simple yet crude method for measuring the spread of data within a distribution. While it provides a basic understanding of the difference between the highest and lowest values, it lacks the nuance found in more complex measures like standard deviation. It serves as a preliminary tool for assessing the variability of a dataset.

255. (C) Mean: To represent the center of a distribution, though sensitive to outliers.
The arithmetic mean is widely utilized to identify a single value that represents the center or typical value of a distribution. However, it is fundamentally susceptible to the influence of extreme values or outliers. This sensitivity means that a few unusually high or low data points can significantly skew the result, potentially misrepresenting the overall central tendency of the data.

Click Here to Buy book on Amazon

256. (B) Binomial distribution
The binomial distribution applies to situations involving a fixed number of independent trials with only two possible outcomes, such as success or failure. In quality control, inspecting a set number of products for defects fits these criteria perfectly. This model calculates the probability of a specific number of occurrences, making it the appropriate tool for analyzing defective product batches.

257. (D) The time elapsed between two successive events.
The exponential distribution is used to model the time elapsed between events in a continuous process. It is closely related to the Poisson distribution and is vital for applications such as queuing theory and reliability analysis. For instance, it can describe the lifespan of electronic components or the specific time intervals between customer arrivals at a service center.

258. (A) Poisson distribution
The Poisson distribution models the probability of a specific number of events occurring within a fixed interval of time or space. This makes it ideal for predicting customer arrivals or calls at a center when the average rate is known. It assumes that events happen independently and at a constant rate, providing a quantitative model for uncertainty.

259. (C) It is symmetrical with data concentrated around the mean.
The normal distribution is a continuous probability model characterized by data clustering around a central mean. It features a symmetrical shape with tapering on both sides, commonly referred to as a bell curve. Many statistical tests rely on this assumption of normality. It describes various natural and business phenomena where values are concentrated near the average point of the distribution.

260. (A) If the number of events per hour follows a Poisson distribution, the time between those events follows an Exponential distribution.
There is a mathematical link between the Poisson and exponential distributions within a process. If the number of events occurring per unit of time follows a Poisson model, the duration between those events is described by an exponential distribution. This relationship is particularly useful in management for analyzing service systems, customer waiting times, and the reliability of various components.

261. (D) They allow for generalization to the population with a known chance of error.
Probability sampling ensures that every unit in a population has a known, non-zero chance of being selected. This characteristic is essential for making statistical inferences and estimating sampling error. Unlike non-probability methods, it allows researchers to generalize findings to the entire population with a measurable degree of accuracy, which is critical for valid and reliable research outcomes.

262. (B) Specifying the sampling frame.
The sampling process involves a specific sequence of steps starting with the definition of the target population. Immediately following this definition, the researcher must specify the sampling frame, which is the actual list from which the sample is drawn. This sequence ensures that the subsequent selection of techniques and sample size determination are based on a clearly defined foundation.

263. (C) Convenience sampling
Convenience sampling is a non-probability technique that relies on the researcher's ease of access or discretion. Choosing participants because they are readily available, such as people in a shopping mall, exemplifies this method. While this approach is often quicker and less expensive than probability-based methods, it does not allow for generalization of findings to the broader population with accuracy.

264. (D) The choice is a trade-off between factors like cost, time, and the need for statistical generalization.
Selecting a sampling technique involves balancing various factors including research objectives, available resources, and the need for statistical generalization. While probability sampling offers higher accuracy for population inferences, non-probability techniques are often chosen for their speed and lower costs. Managers must evaluate these trade-offs to determine the most appropriate approach for their specific data collection needs.

NODIA

265. (A) The provision of a known, non-zero chance of selection for every population unit.
The fundamental distinction between probability and non-probability sampling lies in the selection criteria for population units. Probability sampling requires that every individual unit has a known and non-zero chance of being included in the sample. This objective mechanism enables the calculation of sampling error and supports statistical generalization, whereas non-probability sampling relies on subjective discretion or accessibility.

266. (B) A statement of no effect or no difference.
The null hypothesis represents a statement of no effect or no difference between the variables being studied. It serves as the baseline for formal statistical testing. Researchers aim to determine whether there is enough evidence in the sample data to reject this hypothesis in favor of an alternative claim. It is a critical component for making structured decisions.

267. (B) Chi-square test
The chi-square test is specifically designed to analyze categorical data by testing for independence between variables. It compares observed frequencies against expected frequencies to determine if a significant association exists. This makes it the most appropriate tool for investigating the relationship between non-numeric factors such as an employee's gender and their promotion status within a specific organizational setting.

268. (A) When the sample size is small and the population variance is unknown.
A t-test is generally preferred for comparing means when the sample size is small and the population variance remains unknown. In contrast, the z-test is more suitable for larger samples or situations where the population variance is already established. Understanding these conditions is crucial for selecting the correct statistical test to ensure the validity of hypothesis testing results.

269. (C) It serves as a threshold for making the decision to reject the null hypothesis.
The significance level, denoted as alpha, defines the threshold for deciding whether to reject the null hypothesis. It represents the probability of rejecting the null hypothesis when it is actually true. By setting this level before conducting a test, managers establish a rigorous standard for determining if the observed effects in the sample data are statistically significant.

270. (D) To compare the means of more than two distinct groups.
The f-test is typically employed in the context of analysis of variance to compare the means of more than two groups simultaneously. This test helps determine if there are significant differences among multiple categories or treatments. It provides a more efficient approach than conducting multiple pairwise comparisons, allowing managers to evaluate performance across several distinct departments or groups.

271. (C) Correlation measures the strength of a relationship, while regression is used to model and predict outcomes.
Correlation analysis focuses on measuring the strength and direction of a linear relationship between two variables using a coefficient. In contrast, regression analysis is used to model and predict the value of a dependent variable based on one or more independent variables. While correlation identifies movement together, regression provides a quantitative framework for forecasting future outcomes through equations.

272. (B) A strong positive linear association between advertising spending and sales.
A correlation coefficient of +0.90 indicates a strong positive linear relationship between two variables, such as advertising spending and sales. This value, being close to +1, signifies that as one variable increases, the other tends to increase as well. However, it is important to remember that this statistical association does not necessarily imply a direct cause-and-effect relationship.

273. (D) Predicting a student's final exam score based on their attendance, mid-term score, and hours of study.
Multiple regression analysis involves using two or more independent variables to predict the value of a single dependent variable. An example of this is forecasting a student's final exam score by considering several factors like attendance, mid-term results, and study hours. This technique provides managers with a powerful tool for

Downloaded from www.pdf.tube

understanding complex relationships where multiple drivers influence outcomes.

274. (A) The presence of a relationship does not prove one variable causes the other.
A critical limitation of correlation analysis is that it does not establish causation between variables. Even if two variables show a strong linear relationship and move together consistently, it does not prove that changes in one variable cause changes in the other. Managers must be cautious when interpreting these results to avoid making incorrect assumptions about underlying causal mechanisms.

275. (C) Simple linear regression
Simple linear regression is the most suitable technique for creating a predictive model involving one independent variable and one dependent variable. When a manager wants to forecast employee turnover based specifically on salary levels, this method provides an equation describing the relationship. It allows for the estimation of future outcomes, facilitating proactive planning and strategic decision-making.

276. (A) Strategic decision-making level
Facility location and layout decisions are considered strategic because they involve long-term commitments and significant resource allocation. These decisions impact the overall geographic footprint and internal structure of an organization. By aligning physical assets with competitive priorities, managers establish a foundation for operational efficiency and support the company's broader strategic goals and long-term performance in the competitive marketplace.

277. (D) A process layout, as similar equipment can be grouped to handle varied routing.
A process layout is ideal for environments producing a wide variety of custom products with different processing requirements. In this arrangement, similar equipment and functions are grouped together, allowing for flexible routing of materials. This setup is particularly effective for managing complex workflows where each job follows a unique sequence of operations, enhancing the facility's ability to handle diverse tasks.

278. (B) Employee satisfaction surveys
During the site selection and analysis process, managers evaluate several critical geographic and economic factors. These typically include proximity to suppliers and markets, labor costs, infrastructure availability, and government regulations. While internal employee satisfaction is important for organizational health, it is not explicitly listed as a primary factor in the strategic process of choosing an optimal physical location for facilities.

279. (C) To align the physical arrangement of resources with operational strategy for efficiency.
The primary objective of designing an effective facility layout is to align the physical arrangement of resources with the company's overall operational strategy. This involves organizing machines, workstations, and material flows to enhance efficiency and reduce costs. A well-planned layout minimizes production time and supports competitive priorities by ensuring that the physical structure facilitates the smooth delivery of products.

280. (D) Material handling costs
A well-designed facility layout offers several operational benefits, including improved employee morale and increased safety. Most significantly, it focuses on enhancing efficiency by reducing material handling costs and minimizing production time. By optimizing the physical flow of work and materials through the system, managers can significantly lower operational expenses and improve the overall productivity of the manufacturing environment.

281. (A) It provides a centralized, single source of information across departments.
The integrated nature of an Enterprise Resource Planning system allows for the standardization and centralization of information. By providing a single source of truth, it ensures that data is consistent across all departments. This seamless flow of information facilitates better communication and collaboration, enabling managers to make more informed decisions based on accurate and up-to-date organizational data.

NODIA

282. (B) A modular design where interconnected modules handle specific business functions.
An Enterprise Resource Planning system is characterized by a modular structure where specific business functions are handled by dedicated modules. These modules, such as finance, human resources, and supply chain management, are interconnected to allow for seamless data sharing. This design enables the system to support diverse organizational activities while maintaining a unified and integrated database for the organization.

283. (B) Manufacturing and Finance
The interconnectedness of Enterprise Resource Planning modules is demonstrated when a single event triggers multiple automated actions. For instance, entering a sales order can simultaneously initiate production tasks within the manufacturing module and billing processes in the finance module. This automatic coordination reduces manual data entry, minimizes errors, and ensures that different departments are immediately aligned with new requirements.

284. (A) Business process re-engineering and change management.
Implementing an Enterprise Resource Planning system is a complex project that extends beyond technical installation. Success depends heavily on non-technical components such as business process re-engineering and change management. These activities ensure that organizational workflows are optimized and that employees are prepared for new ways of working, which is essential for realizing the full efficiency benefits of software.

285. (C) Human Resources
Within an Enterprise Resource Planning system, the human resources module is specifically designed to manage employee-related data and processes. This includes maintaining personnel records, processing payroll, and administering benefits programs. By centralizing these functions, the module ensures accuracy and compliance while allowing for seamless integration with other business areas like finance for accounting and budgeting purposes across the organization.

286. (D) To assign jobs to specific work centers or machines.
The loading activity in scheduling involves the assignment of specific jobs to work centers or machines. The main objective is to balance the workload across the available capacity of the system. By effectively managing this assignment, managers can prevent bottlenecks and ensure that no single resource is overloaded while others remain idle, thereby optimizing overall resource utilization and efficiency.

287. (C) First-Come, First-Served (FCFS)
Processing jobs in the exact order they arrive at a work center is known as the first-come, first-served sequencing rule. This approach is straightforward and often perceived as fair by customers. It is one of several priority rules used to determine the processing sequence, directly impacting performance metrics like average wait times and the number of jobs currently in system.

288. (B) Monitoring
Monitoring is the scheduling phase where actual progress is tracked against the planned schedule. This involves checking the status of ongoing jobs, identifying any delays, and taking necessary corrective actions to keep operations on track. This continuous oversight provides essential feedback for improving future scheduling activities and ensures that customer deadlines are met through timely adjustments to production.

289. (D) Performance metrics like average job lateness.
Choosing a specific sequencing rule, such as shortest processing time or earliest due date, directly influences various performance metrics. These metrics include average job completion time, the number of jobs in the system, and average job lateness. Managers must select the rule that best aligns with their operational goals, as the order of processing significantly affects overall efficiency.

290. (A) Loading, Sequencing, Monitoring
The scheduling process follows a logical sequence of three key activities. It begins with loading, where jobs are assigned to specific work centers. This is followed by sequencing, which determines the order of processing for those jobs. Finally, the monitoring phase tracks progress and enables corrective actions, ensuring that the

Click Here to Buy book on Amazon

entire organization run more smoothly and make faster decisions.

240. (C) KAIZEN
A powerful approach for improving organizations is based on the idea that everyone should be involved in making small, ongoing, positive changes to their daily work. This mindset values steady, incremental progress over large and sudden transformations, recognizing that many small gains can add up to a significant and sustainable advantage over time. By encouraging every single employee to look for ways to enhance quality and efficiency, the organization builds a culture of excellence that is inclusive, proactive, and focused on growth.

241. (D) A is false but R is true.
In the planning of a project, the sequence of tasks that takes the longest time from start to finish is of top importance for management. This path is critical because it directly determines the minimum time needed to complete the entire project, and any delay in any of its tasks will immediately push back the final delivery date. Understanding this path allows managers to focus their resources where they are most needed to ensure that the project is delivered on time.

242. (B) Product Layout
When a company is making a very large number of a few standardized items, the most efficient way to organize the facility is to place the machines in the exact sequence that the product follows during production. This arrangement, common in assembly lines, allows the work to flow smoothly and quickly from one station to the next with minimal handling. While it offers very little flexibility for making different things, it provides the high-speed efficiency needed for mass production and consistency.

243. (A) Control
The final stage of a structured process improvement methodology focuses on making sure that the improvements that have been implemented stay in place over the long term. This involves setting up monitoring systems and procedures to track the process and catch any new problems as they arise. By establishing these mechanisms, the organization can ensure that the benefits of the project are not lost over time and that the process continues to operate at its higher level of quality.

244. (C) A transportation problem
A more sophisticated method for starting a logistics optimization project involves looking at the potential cost penalties of not choosing the cheapest available routes. By calculating these differences for each row and column, the technique prioritizes the allocation of resources where they will result in the greatest savings. This results in an initial plan that is much closer to the final, most efficient solution than simpler methods, reducing the total amount of mathematical work needed to reach shipping optimality.

NODIA

245. (C) Poisson distribution
A specific probability model is used to describe the frequency of events that occur independently at a constant average rate within a fixed interval of time or space. This approach is ideal for modeling rare occurrences, such as accidents at a busy intersection or errors in a large batch of work. By using this distribution, researchers can calculate the probability of a certain number of these events happening, providing a valuable tool for risk analysis and safety planning.

246. (C) It is generally more expensive and time-consuming than using secondary data.
Gathering new information firsthand to address a specific research problem is a valuable approach, but it has a significant drawback compared to using existing reports. Because it requires setting up and carrying out a whole new collection process, it usually takes much more time and costs a lot more money. While the data will be perfectly tailored to the study, researchers must carefully balance these extra resource needs against the benefits of having fresh and relevant information for analysis.

247. (C) Systematic sampling
Selecting a sample from a list by choosing every 10th person after starting at a random spot is a clear and structured approach. This method is often preferred because it is much simpler to implement than picking purely random numbers for every single participant, especially when the researcher has a long list of names or items. As long as there is no hidden pattern in the list itself,

determines the total duration of the project. Any delay in the tasks along this path will directly impact the final completion date. Identifying this path using techniques like PERT or CPM allows managers to focus their resources and monitoring efforts on time-sensitive tasks.

300. (A) Decision Theory

Decision theory provides a systematic framework for making choices when faced with uncertainty, risk, or certainty. It utilizes tools such as payoff tables and decision trees to evaluate different options and their potential outcomes. This approach allows managers to analyze complex investment decisions and other strategic choices quantitatively, ensuring that they select the best possible course of action.

www.nodia.in

NODIA

warehouse, but it cannot find hidden patterns.
R. Knowledge Management aims to convert tacit knowledge into explicit knowledge to benefit the organization.
S. Data warehousing and data mining are unrelated concepts.

Which of the above statements are correct?
(A) P and R only
(B) Q and S only
(C) P, Q, and R only
(D) Q and R only

46. Managing technological change within an organization requires addressing potential employee resistance. Which of the following is the most effective strategy for overcoming such resistance?
(A) Implementing the new technology suddenly without prior announcement.
(B) Threatening employees who resist the change with dismissal.
(C) Ignoring employee concerns and focusing only on the technical aspects.
(D) Involving employees in the change process through education, communication, and participation.

47. In the context of technological change, "disruptive technology" refers to:
(A) An innovation creating a new market that eventually displaces leading firms.
(B) A technology improving performance along dimensions valued by current customers.
(C) A technology that is unreliable and causes frequent organizational system crashes.
(D) A technology that is excessively expensive for most firms to implement and maintain.

48. Consider the following statements regarding technological change:
Statement I: A key challenge in managing technological change is ensuring that the organization has the necessary skills and competencies to utilize the new technology effectively.
Statement II: Successful management of technological change often involves aligning the technology strategy with the overall business strategy.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

49. Which of the following represents a proactive approach to managing technological change?
(A) Waiting for competitors to adopt a new technology before considering it.
(B) Investing in new technology only when the old technology becomes completely obsolete.
(C) Focusing exclusively on internal R&D and ignoring external technological developments.
(D) Continuously scanning the technological environment for opportunities and threats.

50. Consider the following statements regarding the management of business in a globalized era:
P. Companies must adapt their products and marketing strategies to suit local tastes and preferences.
Q. Global supply chain management becomes less complex due to standardized procedures worldwide.
R. Understanding and navigating different legal and regulatory environments is a key challenge.
S. Currency fluctuations have a minimal impact on the profitability of international operations.
T. A global firm can ignore domestic competition in its home market.

Which of the above statements are correct?
(A) P and R only
(B) Q and S only
(C) P, R, and T only
(D) Q, S, and T only

51. The "New Trade Theory" suggests that:
(A) Trade is only beneficial when countries have different factor endowments.
(B) Countries can benefit from trade even if they do not differ in resources or technology, due to economies of scale and network effects.
(C) Governments should actively promote exports and restrict imports to accumulate

Downloaded from www.pdf.tube

(D) Product Life-Cycle Theory

7. What is the central argument of the theory of comparative advantage, as proposed by David Ricardo?
(A) A country should only produce those goods where it maintains a clear absolute productivity advantage.
(B) A country should focus its economic policies on maximizing gold reserves through aggressive exports.
(C) The global market for a product initially saturates in the innovating home country's specific market.
(D) Specializing in goods produced most efficiently and trading for others, even with an absolute advantage in all.

8. The Balance of Payments (BOP) account is a systematic record of all economic transactions between the residents of a country and the rest of the world. Which of the following is a component of the Current Account?
(A) Trade in Goods (Visible Trade)
(B) Foreign Direct Investment
(C) Portfolio Investment
(D) External Commercial Borrowings

9. Which of the following best defines a deficit in the Balance of Payments?
(A) When autonomous receipts are greater than autonomous payments.
(B) When accommodating receipts are greater than accommodating payments.
(C) When autonomous payments are greater than autonomous receipts.
(D) When the value of exports is exactly equal to the value of imports.

10. Consider the following stages of the international Product Life-Cycle Theory:
P. The product is standardized and production moves to developing countries.
Q. The product is introduced and produced in the innovating home country.
R. Production starts in other advanced countries, potentially for export back to the home country.
S. The innovating country begins to export the new product.
Which of the following is the correct chronological order of these stages?
(A) Q, S, R, P
(B) Q, R, S, P
(C) S, Q, P, R
(D) P, R, S, Q

11. What distinguishes Foreign Direct Investment (FDI) from Foreign Portfolio Investment (FPI)?
(A) FDI involves purchase of equity stocks, while FPI focuses on buying entire companies.
(B) FDI is a short-term investment, while FPI is a long-term strategic investment.
(C) FPI is undertaken by governments, while FDI is solely for private corporations.
(D) FDI implies a long-term interest with significant influence over the foreign enterprise.

12. Which of the following is considered a primary benefit of inward FDI for a host country?
(A) Increased competition for domestic firms, potentially driving them out of business.
(B) The transfer of capital, technology, and management skills.
(C) A negative impact on the host country's balance of payments.
(D) The potential for capital flight during economic downturns.

NODIA

13. Consider the following statements regarding Foreign Direct Investment:
Statement I: A potential cost of FDI for a host country is the "crowding out" effect, where foreign firms drive domestic competitors out of the market.
Statement II: A potential cost of FDI for a home country is the loss of jobs that may result from production being moved overseas.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

14. What type of FDI occurs when a company invests in a foreign country to produce the same type of products or services it produces in its home country?

61. Which document in international trade is a formal request to the carrier for the transportation of goods?
(A) A document representing a demand for payment between trading parties.
(B) Charter Party
(C) Consular Invoice
(D) A formal request to the carrier for the transportation of specified goods.

62. The 'Porter's Diamond' model explains national competitive advantage. Which of the following is NOT one of the four attributes in the diamond?
(A) Factor Endowments
(B) Demand Conditions
(C) Firm Strategy, Structure, and Rivalry
(D) Government Subsidies

63. Consider the following statements regarding the Balance of Payments:
Statement I: Unilateral transfers, such as foreign aid and gifts, are recorded in the capital account of the BOP.
Statement II: The current account and capital account balances must always sum to zero when including the official reserves account.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

64. What is the primary role of the Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group?
(A) To provide loans for private sector projects in developing countries.
(B) To settle investment disputes between governments and foreign investors.
(C) To provide interest-free loans to the poorest countries.
(D) To offer political risk insurance (guarantees) to investors and lenders.

65. Match the information system in List I with the primary user group in List II:
List I: (System)
P. Transaction Processing System (TPS)
Q. Management Information System (MIS)
R. Decision Support System (DSS)
S. Executive Information System (EIS)
List II: (User Group)
1. Senior Managers
2. Professional Staff, Middle Managers
3. Middle Managers
4. Operational Personnel
(A) P-4, Q-3, R-2, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-2, R-3, S-1
(D) P-3, Q-4, R-1, S-2

66. The concept of a 'neural network' in Artificial Intelligence is inspired by:
(A) The structure and function of the human brain.
(B) The social behavior of insect colonies.
(C) The principles of genetic evolution.
(D) The logic of classical expert systems.

67. What is the primary goal of Knowledge Management Systems (KMS)?
(A) To automate all employee tasks.
(B) To replace traditional databases with more modern technology.
(C) To monitor employee communications for security purposes.
(D) To facilitate the capture, storage, retrieval, and sharing of organizational knowledge.

68. Which of the following best exemplifies a backward vertical FDI?
(A) A car manufacturer from country A opens a car dealership in country B.
(B) A car manufacturer from country A opens another car manufacturing plant in country B.
(C) A car manufacturer from country A buys a software company in country B.
(D) A car manufacturer from country A acquires a tire manufacturing plant in country B.

69. The principle of 'binding tariffs' under the WTO framework means that:
(A) All countries must have the same tariff rates.
(B) Tariffs must be permanently fixed and can never be adjusted by member nations.
(C) Tariffs are the only permissible form of trade barrier.

Click Here to Buy book on Amazon

(B) A bank guarantee ensuring the exporter is paid upon presenting specified documents.
(C) A certificate providing insurance for goods against loss or damage during transit.
(D) A formal export license issued by the government to allow international trade.

23. Which of the following documents specifies the origin of the goods and is often required by customs authorities to determine tariff rates?
(A) Commercial Invoice
(B) Packing List
(C) Mate's Receipt
(D) Certificate of Origin

24. An EXIM (Export-Import) Policy of a country typically outlines:
(A) The regulations, procedures, and incentives related to the export and import of goods and services.
(B) The country's monetary and fiscal policies.
(C) The domestic industrial licensing requirements.
(D) The legal framework for corporate governance.

25. Consider the following statements related to international trade procedures and documentation:
P. An Air Waybill is a negotiable document of title.
Q. A Pro-forma Invoice is a preliminary bill of sale sent to buyers in advance of a shipment or delivery of goods.
R. A 'Clean' Bill of Lading indicates that the carrier has received the goods in apparently good order and condition.
S. The EXIM policy is formulated by the World Trade Organization for all member countries.
T. A Certificate of Inspection is issued by the exporter's bank.
Which of the above statements are correct?
(A) P and S only
(B) Q and R only
(C) P, Q, and T only
(D) R, S, and T only

26. Consider the following statements regarding international financial institutions:
Statement I: The International Monetary Fund (IMF) was established to promote international monetary cooperation and exchange rate stability.
Statement II: The World Bank's primary purpose is to provide short-term loans to countries facing balance of payments crises.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

27. The World Bank Group consists of several institutions. Which one is known as the "soft loan" window, providing interest-free loans and grants to the world's poorest countries?
(A) International Bank for Reconstruction and Development (IBRD)
(B) International Finance Corporation (IFC)
(C) Multilateral Investment Guarantee Agency (MIGA)
(D) International Development Association (IDA)

NODIA

28. What is the primary role of the International Monetary Fund (IMF)?
(A) To provide long-term financing for infrastructure projects in developing nations.
(B) To act as a lender of last resort to countries with balance of payments difficulties.
(C) To regulate international stock markets and prevent financial fraud.
(D) To set global environmental standards and policies.

29. The "conditionality" associated with IMF loans refers to:
(A) The requirement that borrowing countries must be democracies.
(B) The condition that loans must be repaid in gold.
(C) The specific economic policies a borrowing country must agree to implement in return for a loan.
(D) The interest rate charged on the loan, which is conditional on the country's GDP growth.

30. Consider the following Assertion (A) and Reason (R):
Assertion (A): The World Bank's International Bank for Reconstruction and Development (IBRD) provides loans to middle-income and creditworthy low-income countries.
Reason (R): The IBRD's main goal is to promote sustainable, long-term economic development and reduce poverty, often by financing specific projects.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

31. In the context of management applications, which of the following is the best example of using computers for operational control?
(A) Using a system to track daily inventory levels and automatically reorder stock.
(B) Developing a five-year strategic plan for market entry.
(C) Preparing the company's annual financial statements.
(D) Analyzing long-term demographic trends for new product development.

32. What is a Management Information System (MIS)?
(A) A system designed to process large volumes of routine, daily recurring transactions.
(B) A system providing tactical-level information to help monitor and control performance.
(C) An interactive system helping decision-makers use data and models for complex problems.
(D) A branch of computer science dedicated to creating machines that can simulate humans.

33. Which of the following distinguishes a Decision Support System (DSS) from a Management Information System (MIS)?
(A) A DSS is for top-level executives, while an MIS is for lower-level managers.
(B) MIS produces summary reports, while DSS offers interactive data analysis tools.
(C) A DSS processes basic transactions, while an MIS primarily summarizes them.
(D) An MIS uses artificial intelligence, while a DSS relies on database queries.

34. A marketing manager uses a system that allows her to ask "what-if" questions, such as "What would be the impact on sales if we increase the advertising budget by 10%?". This system is best described as a:
(A) Decision Support System (DSS)
(B) Transaction Processing System (TPS)
(C) Management Information System (MIS)
(D) Executive Information System (EIS)

35. Which of the following is NOT a characteristic of a typical Management Information System (MIS)?
(A) Provides reports with fixed and standard formats.
(B) Primarily uses internal data of the organization.
(C) Designed to help with unstructured, non-routine decisions.
(D) Supports tactical level decision-making.

36. Artificial Intelligence (AI) can be broadly defined as:
(A) The use of computers to store and retrieve large amounts of data.
(B) A system that supports the capture, sharing, and use of an organization's knowledge.
(C) A collection of integrated software programs and data used to manage business operations.
(D) The simulation of human intelligence processes by machines, especially computer systems.

37. What are the 'Three Vs' commonly used to define Big Data?
(A) Value, Veracity, and Vision
(B) Velocity, Value, and Variety
(C) Volume, Velocity, and Variety
(D) Volume, Vision, and Veracity

38. Consider the following statements regarding Artificial Intelligence and Big Data:
Statement I: Machine Learning, a subset of AI, involves training algorithms on large datasets to make predictions or decisions without being explicitly programmed for the task.

Downloaded from www.pdf.tube

Statement II: Big Data refers exclusively to the amount of data and not to its complexity or the speed at which it is generated.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

39. A company uses a vast amount of customer data from social media, transaction records, and website clicks to identify purchasing patterns and predict future customer behavior. This is an application of:
(A) Decision Support Systems (DSS)
(B) Transaction Processing Systems (TPS)
(C) Basic Management Information Systems (MIS)
(D) Big Data analytics

40. Match the AI concept in List I with its description in List II:
List I: (Concept)
P. Natural Language Processing (NLP)
Q. Expert System
R. Machine Learning
S. Computer Vision
List II: (Description)
1. Enabling computers to derive meaningful information from digital images or videos.
2. A computer system that emulates the decision-making ability of a human expert.
3. The ability of a computer program to understand, interpret, and generate human language.
4. An application of AI that provides systems the ability to automatically learn and improve from experience.
(A) P-3, Q-2, R-4, S-1
(B) P-3, Q-2, R-4, S-1
(C) P-3, Q-4, R-2, S-1
(D) P-4, Q-1, R-3, S-2

41. What is the primary purpose of a Data Warehouse?
(A) To process daily business transactions in real-time.
(B) To store and manage data for a specific application, such as human resources.
(C) To create a central repository of integrated data from one or more disparate sources for reporting and data analysis.
(D) To provide temporary storage for data before it is processed by a transaction system.

42. Data Mining is best described as the process of:
(A) Discovering patterns, correlations, and anomalies within large data sets to predict outcomes.
(B) Manually searching through large databases to find specific information.
(C) Securing and backing up organizational data.
(D) Structuring and cleaning data before it is entered into a database.

NODIA

43. Which of the following is a key concept in Knowledge Management?
(A) Focusing solely on storing explicit, documented information.
(B) Discouraging the sharing of information between employees to maintain a competitive edge.
(C) Replacing human expertise entirely with artificial intelligence systems.
(D) The process of creating, sharing, using, and managing the knowledge and information of an organization.

44. The distinction between explicit and tacit knowledge is crucial in Knowledge Management. Tacit knowledge refers to:
(A) Knowledge that is easily written down, articulated, and shared, such as in manuals or reports.
(B) Knowledge that is intuitive, experiential, and difficult to formalize or communicate.
(C) Data that has not yet been processed or analyzed.
(D) Information that is publicly available on the internet.

45. Consider the following statements regarding Data Warehousing, Data Mining, and Knowledge Management:
P. A data warehouse is typically subject-oriented, integrated, time-variant, and non-volatile.
Q. Data mining is a tool used to query a data

(A) Vertical FDI
(B) Conglomerate FDI
(C) Platform FDI
(D) Horizontal FDI

15. Match the WTO agreements in List I with their primary focus in List II:
List I: (Agreements)
P. GATS
Q. TRIPS
R. TRIMs
S. GATT
List II: (Focus)
1. Trade in Goods
2. Trade-Related Investment Measures
3. Trade in Services
4. Trade-Related Aspects of Intellectual Property Rights
(A) P-3, Q-4, R-2, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-3, R-1, S-2

16. What is the fundamental principle of the WTO that states that any special favor granted to one member country must be extended to all other member countries?
(A) National Treatment
(B) Most-Favored-Nation (MFN)
(C) Reciprocity
(D) Binding and Enforceable Commitments

17. Which of the following is NOT a primary function of the World Trade Organization (WTO)?
(A) Administering trade agreements
(B) Providing direct loans to countries for development projects
(C) Acting as a forum for trade negotiations
(D) Settling trade disputes between member nations

18. The "National Treatment" principle under the WTO means that:
(A) Imported and locally-produced goods must be treated equally after entering the domestic market.
(B) All member nations must be treated equally in trade matters within the WTO framework.
(C) Developing countries receive special and differential treatment from advanced nations.
(D) A country's trade policy must treat its own national firms more favorably than foreign firms.

19. Which of the following statements about the WTO's dispute settlement mechanism is incorrect?
(A) Its decisions are binding on the member countries.
(B) The process is initiated when one member country files a complaint against another.
(C) Countries that lose a case are automatically expelled from the WTO.
(D) The mechanism provides a forum for direct negotiation between the countries involved.

20. Consider the following statements regarding the multilateral regulation of trade and investment under the WTO:
P. The WTO aims to lower trade barriers and promote free trade.
Q. The Agreement on Trade-Related Investment Measures (TRIMs) applies to measures that affect trade in goods.
R. The WTO's rules apply only to manufactured goods, not to services or intellectual property.
S. The WTO was established to replace the International Monetary Fund (IMF).
Which of the above statements are correct?
(A) P and Q only
(B) P, Q, and R only
(C) Q and S only
(D) R and S only

21. In international trade documentation, what is a Bill of Lading?
(A) A document issued by an importer acknowledging receipt of delivered goods.
(B) A document that details the specific insurance coverage for the goods in transit.
(C) A carrier-issued document serving as a receipt, carriage contract, and title.
(D) An invoice for goods sold, formally issued by the exporter to the importer.

22. A letter of credit (L/C) is a crucial document in international trade. What is its primary purpose?
(A) A document providing a full and detailed description of the goods being shipped.

Click Here to Buy book on Amazon

wealth.
(D) A product's production location changes as it moves through its life cycle.

52. The Capital Account in the Balance of Payments includes:
(A) Unilateral transfers like foreign aid, grants, and personal donations.
(B) The record of export and import of services and intangible products.
(C) Transactions involving asset sales and purchases and capital transfers.
(D) All earnings received on foreign investments held by domestic residents.

53. Which of the following is a potential cost of inward FDI for the host country?
(A) The "resource-transfer effect" bringing new technology.
(B) The "employment effect" creating new jobs.
(C) Adverse effects on competition if a dominant foreign firm drives out local players.
(D) Improvement in the host country's balance of payments through capital inflow.

54. The WTO's Agreement on Trade-Related Investment Measures (TRIMs) is primarily concerned with:
(A) Prohibiting investment measures that have trade-distorting effects.
(B) Providing insurance for foreign direct investments.
(C) Harmonizing intellectual property laws across all member nations.
(D) Setting rules for international trade in agricultural products.

55. In the context of the IMF, consider the following Assertion (A) and Reason (R):
Assertion (A): The IMF provides surveillance over its members' economic and financial policies.
Reason (R): This surveillance, or "monitoring," is intended to identify potential risks to economic stability and advise on policy adjustments, thereby preventing crises.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

56. In the context of IT in management, a system used by senior managers for strategic, non-routine decisions that require access to both internal and external information is known as a(n):
(A) Transaction Processing System (TPS)
(B) Management Information System (MIS)
(C) Decision Support System (DSS)
(D) Executive Information System (EIS)

57. The 'Veracity' aspect of Big Data refers to:
(A) The sheer size of the data set.
(B) The speed at which new data is generated.
(C) The uncertainty and trustworthiness of the data.
(D) The different forms of data, such as text, video, and sensor data.

58. The process of converting tacit knowledge into explicit knowledge is known as:
(A) Socialization
(B) Externalization
(C) Combination
(D) Internalization

59. When an organization integrates a new technology, which of the following is a critical 'people' factor to manage?
(A) The processing speed of the new hardware.
(B) The compatibility of the new software with existing systems.
(C) The bandwidth of the network infrastructure.
(D) The required changes in organizational structure and job roles.

60. Consider the following international trade theories:
P. Heckscher-Ohlin Theory
Q. Theory of Comparative Advantage
R. Mercantilism
S. Theory of Absolute Advantage
Which of the following is the correct chronological order of their development?
(A) R, S, Q, P
(B) S, R, P, Q
(C) R, Q, S, P
(D) Q, S, R, P

Downloaded from www.pdf.tube

CHAPTER 09

International Business and Information Technology

1. Which term describes the increasing interdependence and integration of national economies through trade, investment, capital flows, and technological diffusion?
(A) Nationalization
(B) Globalization
(C) Regionalization
(D) Localization

2. Which of the following is NOT considered a primary driver of the globalization era?
(A) Increased government intervention and protectionist policies
(B) Decline in barriers to the free flow of goods, services, and capital
(C) Technological change, particularly in communication and transportation
(D) The rise of multinational corporations

3. Consider the following statements regarding globalization:
Statement I: The globalization of markets refers to the merging of historically distinct and separate national markets into one huge global marketplace.
Statement II: The globalization of production refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

NODIA

4. In the context of managing a business in a globalized era, what does 'cultural risk' primarily refer to?
(A) The risk resulting from adverse fluctuations in foreign currency exchange rates affecting revenue.
(B) The risk of a host country's government unexpectedly changing its economic or trade policies.
(C) The risk of intellectual property theft and unauthorized use in an emerging foreign market.
(D) Risk of failure due to misinterpreting local customs, values, and cultural ethics.

5. In the context of international trade theories, consider the following Assertion (A) and Reason (R):
Assertion (A): The theory of absolute advantage suggests that countries should specialize in producing goods for which they have an absolute advantage and then trade these goods for other goods.
Reason (R): A country has an absolute advantage in the production of a product when it is more efficient than any other country in producing it.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

6. Which theory of international trade suggests that countries will export products that use their abundant and cheap factors of production and import products that use the countries' scarce factors?
(A) Mercantilism
(B) Heckscher-Ohlin Theory
(C) Comparative Advantage

(D) Commitments not to increase a tariff rate above a predetermined level, known as the 'bound' level.

70. Consider the following statements regarding the benefits and costs of Foreign Direct Investment (FDI) for the home (source) country:
P. A benefit is the inward flow of foreign earnings from the foreign subsidiary.
Q. A cost is the potential loss of jobs when production is moved abroad.
R. A benefit is the reverse resource-transfer effect, where skills learned abroad are transferred back home.
S. A cost is the immediate improvement in the home country's balance of payments.
Which of the above statements are correct?
(A) P, Q, and R only
(B) Q and S only
(C) P and R only
(D) P, Q, R, and S

71. A "Dirty Float" exchange rate regime is one where:
(A) The value of a currency is fixed against gold.
(B) The value of a currency is determined purely by market forces of supply and demand.
(C) The exchange rate is fixed against a basket of other currencies.
(D) The currency is allowed to float, but the central bank occasionally intervenes to influence the rate.

72. An EXIM policy that includes a "Duty Drawback" scheme aims to:
(A) Reimbursing customs duties paid on inputs used in the manufacture of exported goods.
(B) A strategy to impose significant additional duties on high-value imported luxury goods.
(C) Exempt certain essential goods from all import duties to support local basic consumption.
(D) Defer the payment of import duties for a specified period for approved corporate entities.

73. What is a key characteristic of the information produced by a Decision Support System (DSS)?
(A) It is historical and summarized at a high level.
(B) It is primarily transactional and detailed.
(C) It is produced on a rigid, predetermined schedule.
(D) It is forward-looking and helps in analyzing alternative scenarios.

74. A chatbot on a company's website that can understand customer queries in plain English and provide relevant answers is an application of:
(A) Computer Vision
(B) Data Mining
(C) Data Warehousing
(D) Natural Language Processing (NLP)

75. Consider the following statements regarding key challenges in managing a business in the globalization era:
P. Navigating diverse political and legal systems.
Q. Managing ethical standards across different cultures.
R. Dealing with currency exchange rate risk.
S. Ensuring consistent product quality across a global supply chain.
T. Ignoring the impact of local competitors in foreign markets.
Which of the above statements are correct?
(A) P, Q, and R only
(B) P, Q, R, and S only
(C) Q, R, S, and T only
(D) P and T only

76. The process of discovering patterns in large data sets involving methods at the intersection of machine learning, statistics, and database systems is known as:
(A) Data Entry
(B) Data Warehousing
(C) Data Mining
(D) Data Cleansing

77. Which strategy for managing technological change involves creating a separate, autonomous unit to develop and champion a new technology, free from the constraints of the main organization?
(A) Top-down implementation
(B) Creating a skunkworks
(C) Incremental adoption
(D) Bottom-up diffusion

Click Here to Buy book on Amazon

(C) It is too focused on the role of government intervention.
(D) It only considers the perspective of developing countries.

113. An "irrevocable" letter of credit provides a high degree of security to the exporter because:
(A) An L/C that can be cancelled or modified at any time by the importer without prior notice.
(B) An L/C that cannot be amended or cancelled without the agreement of all involved parties.
(C) It guarantees the quality of the goods being shipped.
(D) It is issued directly by the exporter's government.

114. The Special Drawing Right (SDR) is an international reserve asset created by the IMF. Its value is based on:
(A) The price of gold.
(B) The US dollar exclusively.
(C) A basket of major international currencies.
(D) The economic output of the G7 countries.

115. Match the term related to international trade in List I with its correct description in List II:
List I: (Term)
P. Ad Valorem Tariff
Q. Quota
R. Subsidy
S. Local Content Requirement
List II: (Description)
1. A government payment to a domestic producer.
2. A requirement that some specific fraction of a good be produced domestically.
3. A tariff levied as a proportion of the value of the imported good.
4. A direct restriction on the quantity of some good that may be imported into a country.
(A) P-3, Q-4, R-1, S-2
(B) P-4, Q-3, R-2, S-1
(C) P-3, Q-1, R-4, S-2
(D) P-1, Q-2, R-3, S-4

116. Consider the following statements regarding Data Warehousing:
Statement I: The core purpose of a data warehouse is to support transaction processing.
Statement II: Data in a data warehouse is typically non-volatile, meaning it is not updated or changed in real-time.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

NODIA

117. 'Deep learning' is a subfield of machine learning that is characterized by:
(A) Its use of simple linear regression models.
(B) Its use of neural networks with many layers (deep neural networks).
(C) Its reliance on human-created rules and logic.
(D) Its application exclusively to text-based data.

118. Which of the following best describes the 'cost' of FDI for a home country?
(A) Inflow of foreign earnings.
(B) Learning valuable skills from exposure to foreign markets.
(C) A balance of payments deficit from the initial capital outflow.
(D) Increased competition in the home market.

119. A manager using a spreadsheet to analyze the impact of different pricing strategies on revenue is using a form of:
(A) Transaction Processing System (TPS)
(B) Decision Support System (DSS)
(C) Knowledge Work System (KWS)
(D) Expert System (ES)

120. Consider the following statements regarding key principles of the WTO's trading system:
P. Trade without discrimination (MFN and National Treatment).
Q. Promoting protectionism to safeguard domestic industries.
R. Predictability through binding and transparency.
S. Settling disputes through a multilateral mechanism.
Which of the above statements are correct?
(A) P, Q, and R only

87. Consider the following statements regarding types of Foreign Direct Investment:
Statement I: Horizontal FDI involves investing in the same industry abroad as a firm operates in at home.
Statement II: Vertical FDI involves investing in an industry abroad which provides inputs for a firm's domestic operations or sells the outputs of the firm's domestic operations.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

88. The main objective of the WTO's Agreement on Agriculture (AoA) is to:
(A) Ban all subsidies for agricultural products.
(B) Establish a fairer and more market-oriented agricultural trading system.
(C) Encourage countries to become self-sufficient in food production.
(D) Set global prices for major agricultural commodities.

89. A key feature of an 'Expert System' in the field of AI is its ability to:
(A) Process natural human language.
(B) Recognize objects in images and videos.
(C) Mimic the reasoning process of a human expert in a specific domain.
(D) Learn from vast amounts of unlabeled data.

90. Match the data concept in List I with its defining characteristic in List II:
List I: (Concept)
P. Data Warehouse
Q. Data Mining
R. Explicit Knowledge
S. Tacit Knowledge
List II: (Characteristic)
1. Personal, experience-based, hard to articulate
2. Codified, documented, easily transferable
3. Subject-oriented, integrated, time-variant repository
4. Pattern discovery in large datasets
(A) P-1, Q-2, R-3, S-4
(B) P-3, Q-4, R-1, S-2
(C) P-3, Q-4, R-2, S-1
(D) P-4, Q-3, R-2, S-1

91. Which of the following is NOT a typical component of a Decision Support System (DSS)?
(A) A model base (a collection of mathematical and analytical models).
(B) A user interface.
(C) An automated transaction processing engine.
(D) A database with relevant data.

92. The "demonstration effect," where local consumers are influenced by the consumption patterns of a foreign country, is a sociocultural impact of:
(A) Protectionism
(B) Globalization
(C) Mercantilism
(D) Isolationism

93. A country experiences a current account deficit. Which of the following is a potential way to finance this deficit?
(A) By increasing its official reserve assets.
(B) By encouraging a net inflow of capital through FDI or FPI.
(C) By reducing exports of goods and services.
(D) By providing foreign aid to other countries.

94. What is the core function of the International Centre for Settlement of Investment Disputes (ICSID), part of the World Bank Group?
(A) To provide loans for private sector development.
(B) To provide conciliation and arbitration services for international investment disputes.
(C) To issue guarantees against non-commercial risks for investors.
(D) To lend to the poorest developing countries on concessional terms.

95. Consider the following statements regarding the benefits of FDI for a host country:
P. FDI can bring in new technology and management techniques.
Q. FDI can increase competition in the host market, leading to lower prices for consumers.

Downloaded from www.pdf.tube

78. What does "Leontief Paradox" refer to in the context of international trade theories?
(A) The finding that the US, a capital-abundant country, exported labor-intensive goods and imported capital-intensive goods.
(B) The theory that trade is driven by similarities in demand patterns between countries.
(C) The observation that firms that are first to market can create powerful barriers to entry.
(D) The argument that government intervention can help domestic firms achieve economies of scale.

79. The International Finance Corporation (IFC), part of the World Bank Group, has the primary mission of:
(A) Providing emergency loans to governments during a financial crisis.
(B) Insuring foreign investments against political risk.
(C) Furthering economic development by encouraging the growth of private enterprise in developing countries.
(D) Offering grants and interest-free loans for health and education projects.

80. Consider the following Assertion (A) and Reason (R) regarding WTO agreements:
Assertion (A): The TRIPS agreement under the WTO established minimum standards for the protection of intellectual property rights.
Reason (R): Before the TRIPS agreement, the protection of patents, copyrights, and trademarks varied widely across the world, creating a source of tension in international trade.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

81. A 'Pro-forma Invoice' is a document that:
(A) A formal document that confirms the shipment of goods and serves as a valid document of title.
(B) A preliminary invoice sent to the buyer before shipment, outlining goods, prices, and terms.
(C) Is issued by customs authorities, certifying the value of the goods.
(D) Is a receipt given by the ship's captain for the goods received on board.

82. Which of the following is the best description of a 'supervised learning' algorithm in AI?
(A) An algorithm that learns from unlabeled data by finding patterns on its own.
(B) An algorithm that learns from data that has been manually labeled with the correct outcomes.
(C) An algorithm that learns through trial and error by receiving rewards or punishments.
(D) An algorithm that is hard-coded with a set of rules to follow.

83. The process of capturing, developing, sharing, and effectively using organizational knowledge is called:
(A) Data Management
(B) Information Management
(C) Knowledge Management
(D) Records Management

NODIA

84. In the context of technological change, 'sustaining technology' is one that:
(A) Creates an entirely new market.
(B) Tends to maintain a rate of improvement, giving customers more or better in the attributes they already value.
(C) Is developed and used only in environmentally friendly applications.
(D) Is designed to be resistant to cyber-attacks.

85. Which component of the Balance of Payments records all transactions related to the change of ownership of a country's foreign financial assets and liabilities?
(A) Current Account
(B) Financial Account
(C) Capital Account
(D) Errors and Omissions

86. The theory of mercantilism advocated that a country should:
(A) Encourage free trade and open markets.
(B) Strive to achieve a trade surplus to accumulate gold and silver.
(C) Focus on producing goods where it has a comparative advantage.
(D) Allow its currency to float freely in the foreign exchange market.

104. Which of the following is an example of a measure that would likely be considered a violation of the WTO's TRIMs agreement?
(A) A requirement that a foreign investor must export a certain percentage of its production.
(B) A general corporate tax applied equally to both domestic and foreign firms.
(C) Environmental regulations that all firms in an industry must meet.
(D) Safety standards for products sold in the domestic market.

105. Consider the following Assertion (A) and Reason (R) regarding Decision Support Systems:
Assertion (A): A Decision Support System (DSS) is designed to assist managers with semi-structured and unstructured decisions.
Reason (R): A DSS provides interactive analytical tools and models, allowing managers to explore different scenarios and outcomes, which is not possible with a standard MIS report.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

106. In Big Data, the term 'Variety' refers to:
(A) The many different types of data, including structured, semi-structured, and unstructured data.
(B) The trustworthiness and quality of the data.
(C) The massive scale and amount of data being generated.
(D) The high speed at which data flows into an organization.

107. The SECI model of knowledge creation (Socialization, Externalization, Combination, Internalization) is a central concept in:
(A) Data Mining
(B) Data Warehousing
(C) Knowledge Management
(D) Big Data Analytics

108. A key organizational aspect of managing technological change is:
(A) Ignoring the existing organizational culture.
(B) Fostering a culture that is receptive to innovation and learning.
(C) Maintaining rigid hierarchical structures to enforce the change.
(D) Limiting communication about the change to senior management only.

109. What is a 'Bill of Exchange' in international trade?
(A) A document of title for goods issued by a carrier to signify receipt of the shipment.
(B) An insurance policy covering the goods in transit.
(C) A written order from the drawer to the drawee to pay a specific sum at a future time.
(D) A list of the contents of a shipment package.

110. Consider the following events related to multilateral trade regulation:
P. Establishment of the World Trade Organization (WTO).
Q. The Uruguay Round of trade negotiations begins.
R. Signing of the General Agreement on Tariffs and Trade (GATT).
S. The Doha Development Round is launched.
Which of the following is the correct chronological order of these events?
(A) R, Q, P, S
(B) Q, R, S, P
(C) R, P, Q, S
(D) P, R, Q, S

111. Which of the following is an example of 'internalization' in the SECI model of knowledge management?
(A) A team brainstorming session to generate new ideas.
(B) Writing a detailed report based on one's personal experience.
(C) Reading a manual and learning how to operate a new machine.
(D) Combining several research reports into a single comprehensive market analysis.

112. The primary criticism of the original Product Life-Cycle theory of trade is that:
(A) Its relevance has been limited by globalization and the integration of the world economy.
(B) It fails to explain trade in simple agricultural products.

Click Here to Buy book on Amazon

(A) Management Information System (MIS) with forecasting capabilities
(B) Transaction Processing System (TPS)
(C) Office Automation System (OAS)
(D) File Processing System (FPS)

148. The process of learning from experience and applying this learning to new situations is central to which concept?
(A) Knowledge Management
(B) Data Warehousing
(C) Information Retrieval
(D) Database Administration

149. An "S-curve" model is often used to describe the diffusion of new technology. What does the steep part of the 'S' represent?
(A) The period of rapid adoption by the majority of users.
(B) The initial invention of the technology.
(C) The point where the technology becomes obsolete.
(D) The early development phase with few adopters.

150. Consider the following statements regarding potential costs or risks of FDI for a host country:
P. Adverse effects on competition in the domestic market.
Q. Potential negative impact on the balance of payments if profits are repatriated.
R. Perceived loss of national sovereignty and autonomy.
S. Transfer of outdated or inappropriate technology.
T. A sudden decrease in domestic unemployment rates.
Which of the above statements are correct?
(A) P, Q, R, and S only
(B) Q, R, and T only
(C) P, S, and T only
(D) P, Q, and R only

151. Which international trade theory provides a strong rationale for government intervention and strategic trade policy?
(A) Comparative Advantage Theory
(B) New Trade Theory
(C) Heckscher-Ohlin Theory
(D) Absolute Advantage Theory

152. In the Balance of Payments, if a country's total credits are less than its total debits, the country has a:
(A) BOP Deficit
(B) BOP Surplus
(C) BOP Equilibrium
(D) Trade Surplus

153. A Japanese car company setting up a manufacturing plant in India is an example of:
(A) Foreign Portfolio Investment (FPI)
(B) licensing agreement
(C) Foreign Direct Investment (FDI)
(D) short-term loan

154. What does the WTO's "Dispute Settlement Body" (DSB) do?
(A) It handles the formal process of settling trade disputes between member governments.
(B) It negotiates new trade agreements.
(C) It provides development loans to poor countries.
(D) It sets the daily exchange rates for major currencies.

NODIA

155. Consider the following Assertion (A) and Reason (R) regarding the World Bank Group:
Assertion (A): The World Bank group's IDA provides 'soft loans' to the poorest developing countries.
Reason (R): These loans have very low or no interest rates and long repayment periods, which poor countries can afford, to finance basic health, education, and infrastructure projects.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

156. An information system that is specifically designed to support the work of knowledge workers by helping them create and integrate new knowledge is a(n):
(A) Transaction Processing System (TPS)
(B) Knowledge Work System (KWS)
(C) Management Information System (MIS)
(D) Executive Information System (EIS)

(B) Q, R, and S only
(C) P, R, and S only
(D) P, Q, and S only

121. The Bretton Woods conference of 1944 led to the creation of which two major international institutions?
(A) The WTO and the World Bank
(B) The IMF and the WTO
(C) The United Nations and the WTO
(D) The IMF and the IBRD (World Bank)

122. In the context of globalization, 'sovereignty' concerns refer to:
(A) The ability of a nation-state to govern itself without external interference.
(B) The level of a country's foreign exchange reserves.
(C) The quality of a country's physical infrastructure.
(D) The competitiveness of a country's domestic firms.

123. The 'infant industry' argument for protectionism suggests that:
(A) All industries should be protected from foreign competition indefinitely.
(B) Industries that produce baby products require special tariffs.
(C) New, developing domestic industries need temporary protection from foreign competition until they are mature and can compete internationally.
(D) Only agricultural industries should be protected.

124. 'Autonomous transactions' in the Balance of Payments are:
(A) Transactions undertaken to cover a deficit or surplus in the BOP.
(B) Transactions undertaken for their own sake, such as for profit or personal satisfaction.
(C) Transactions that are recorded as errors and omissions.
(D) Transactions carried out only by the central bank.

125. Consider the following statements regarding Artificial Intelligence (AI) and Big Data:
P. AI aims to create systems that can perform tasks that normally require human intelligence.
Q. 'Big Data' is defined solely by the volume of data, not its velocity or variety.
R. Machine learning is a method of data analysis that automates analytical model building; it is a branch of AI.
S. A key challenge of Big Data is its storage and processing, not its analysis.
T. AI systems cannot process unstructured data like images or text.
Which of the above statements are correct?
(A) P and R only
(B) Q and S only
(C) P, R, and T only
(D) Q, S, and T only

126. Which of the following is NOT a typical component of a Decision Support System (DSS)?
(A) A model base (a collection of mathematical and analytical models).
(B) A user interface.
(C) A database with relevant data.
(D) An automated transaction processing engine.

127. A key goal of implementing a Knowledge Management strategy in an organization is to:
(A) Avoid "reinventing the wheel" by making existing knowledge accessible.
(B) Reduce the number of employees required.
(C) Ensure all information is kept confidential and not shared between departments.
(D) Replace all human decision-making with automated systems.

NODIA

128. From a strategic perspective, managing technological change effectively can provide a firm with:
(A) A sustainable competitive advantage.
(B) A guaranteed increase in short-term profits.
(C) A reduction in all business risks.
(D) Exemption from government regulations.

129. The term 'Incoterms' in international trade refers to:
(A) A series of pre-defined commercial terms that clarify the tasks, costs, and risks associated with the transportation and delivery of goods.
(B) A set of standard codes for identifying products.

(C) The regulations governing intellectual property rights.
(D) The currency exchange rates set by central banks.

130. Consider the following Assertion (A) and Reason (R) regarding globalization:
Assertion (A): Globalization can lead to increased income inequality within nations.
Reason (R): The wages of unskilled workers in advanced economies may decline as firms move production to countries with lower wage rates.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

131. The 'General Agreement on Trade in Services' (GATS) is a WTO agreement that:
(A) Only applies to the telecommunication and financial services sectors.
(B) Establishes a multilateral framework of principles and rules for trade in services.
(C) Prohibits all forms of government regulation in service industries.
(D) Is a binding agreement on tariffs for services.

132. Which of the following statements about FDI is incorrect?
(A) It is a long-term investment.
(B) It can take the form of a greenfield investment or a cross-border acquisition.
(C) It involves a significant degree of influence over the foreign business enterprise.
(D) It is primarily motivated by short-term exchange rate fluctuations.

133. The 'Accommodating transactions' in the Balance of Payments are undertaken to:
(A) Maximize profit from international trade.
(B) Settle any deficit or surplus in the autonomous transactions.
(C) Fulfill personal obligations abroad.
(D) Transfer technology between countries.

134. Which of the following best defines a Management Information System (MIS)?
(A) An interactive system for unstructured problem-solving.
(B) A system that provides managers with routine summary reports on the organization's performance.
(C) A system for capturing and processing day-to-day business activities.
(D) A system that simulates human expertise in a narrow domain.

135. Unsupervised learning in AI is where the algorithm:
(A) Is trained on data that is fully labeled.
(B) Learns to act based on a system of rewards and punishments.
(C) Tries to find patterns and structures in data that is not labeled.
(D) Follows a predefined set of if-then rules.

136. Data 'Cleansing' or 'Scrubbing' is a critical process in data warehousing that involves:
(A) Backing up the data to a secure location.
(B) Detecting and correcting or removing corrupt or inaccurate records from a dataset.
(C) Deleting old data to create more storage space.
(D) Encrypting data to protect it from unauthorized access.

137. Which of the following is an example of 'explicit' knowledge?
(A) The skill of a master craftsman in shaping wood.
(B) A surgeon's intuitive feel during a complex operation.
(C) A company's written standard operating procedure (SOP) manual.
(D) A salesperson's ability to read a customer's body language.

138. A major challenge in managing disruptive technological change is that:
(A) It is often initiated by established market leaders.
(B) It is easy to predict its market impact.
(C) Established firms may be hesitant to invest in it because it initially serves a small, niche market.
(D) It always requires less capital investment than sustaining technologies.

139. A 'Confirmed' Letter of Credit adds an extra layer of security for the exporter by:

Downloaded from www.pdf.tube

(A) Requiring the importer to pay in advance for all goods.
(B) A second bank adds its own guarantee, providing an additional layer of security for the exporter.
(C) An L/C that remains valid for a significantly longer duration than a standard letter of credit.
(D) Allowing for partial shipments of the goods to the buyer.

140. Match the institution in List I with its primary function in List II:
List I: (Institution)
P. IMF
Q. IBRD
R. MIGA
S. WTO
List II: (Function)
1. Provides political risk insurance for FDI.
2. Promotes and regulates multilateral trade.
3. Provides short-term loans for BOP problems.
4. Provides development loans to middle-income countries.
(A) P-1, Q-2, R-3, S-4
(B) P-3, Q-4, R-1, S-2
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-3, R-2, S-1

141. The Heckscher-Ohlin theory of trade is also known as the:
(A) Factor-Proportions Theory
(B) Product Life-Cycle Theory
(C) Absolute Advantage Theory
(D) New Trade Theory

142. A 'Certificate of Origin' is an important trade document because it:
(A) Guarantees payment to the exporter from the bank.
(B) It helps authorities determine if goods are eligible for preferential tariff rates under agreements.
(C) A document serving as a formal contract for carriage between the shipper and the transport carrier.
(D) Insures the goods against loss or damage in transit.

143. The "resource-transfer effect" of FDI refers to the transfer of _____ to the host country.
(A) capital, technology, and management resources
(B) only financial capital
(C) only cheap labor
(D) finished goods for sale

144. Which of the following is NOT one of the four modes of supply under the General Agreement on Trade in Services (GATS)?
(A) Cross-border supply
(B) Consumption abroad
(C) Commercial presence
(D) Transfer of technology

145. Consider the following statements regarding the characteristics of a data warehouse:
P. It is a repository of current and historical data of potential interest to managers.
Q. Data in the warehouse is organized by subject area (e.g., customer, product).
R. It is designed for high-speed online transaction processing (OLTP).
S. The data is 'non-volatile', meaning it is not updated in real-time.
Which of the above statements are correct?
(A) P, Q, and R only
(B) P, Q, and S only
(C) Q, R, and S only
(D) P, R, and S only

NODIA

146. Consider the following statements regarding AI and Big Data:
Statement I: Artificial intelligence is a broad field of computer science that includes subfields like machine learning and deep learning.
Statement II: Big Data analytics is the process of examining large and varied data sets to uncover hidden patterns, unknown correlations, and other useful information.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

147. A manager trying to forecast sales based on historical data and market trends would find which type of information system most useful?

R. The profits from an FDI operation are always reinvested in the host country's economy.
S. FDI can lead to job creation in the host country.

Which of the above statements are correct?
(A) P and Q only
(B) R and S only
(C) P, Q, and S only
(D) P, Q, R, and S

96. A 'revocable' Letter of Credit can be amended or cancelled by:
(A) The importer (applicant) without the consent of the exporter (beneficiary).
(B) The issuing bank without the consent of the other parties.
(C) The exporter (beneficiary) at any time.
(D) The advising bank on behalf of the importer.

97. The use of computers in management to perform tasks like payroll processing, order entry, and accounts receivable is classified under:
(A) Decision Support Systems (DSS)
(B) Executive Information Systems (EIS)
(C) Transaction Processing Systems (TPS)
(D) Knowledge Management Systems (KMS)

98. The 'velocity' characteristic of Big Data refers to:
(A) The different formats and types of data.
(B) The large volume of data.
(C) The speed at which data is generated, collected, and processed.
(D) The reliability and quality of the data.

99. An organization decides to replace its manual inventory system with a new barcoding and tracking software. To manage this change effectively, the primary focus should be on:
(A) Choosing the most technologically advanced software available, regardless of cost.
(B) Training employees and redesigning workflow processes to align with the new system.
(C) Keeping the implementation of the new system a secret from employees until the launch date.
(D) Minimizing the involvement of the IT department to save costs.

100. Consider the following statements related to the functions of International Financial Institutions:
P. The IMF's primary role is to provide long-term development project financing.
Q. The World Bank (IBRD) provides loans to middle-income countries for development.
R. The IDA provides grants and 'soft loans' to the world's poorest nations.
S. MIGA's function is to promote FDI by offering political risk insurance.
T. The WTO and IMF are identical institutions created at Bretton Woods.

Which of the above statements are correct?
(A) P, Q, and S only
(B) Q, R, and S only
(C) P, T, and R only
(D) Q, R, and T only

101. Which theory argues that a nation's competitive advantage in certain industries can be enhanced by government support, such as subsidies and protectionist policies?
(A) Theory of Absolute Advantage
(B) Strategic Trade Policy
(C) Heckscher-Ohlin Theory
(D) Mercantilism

102. An entry in the credit side of the Balance of Payments current account would be:
(A) Import of a car.
(B) Purchase of foreign stocks by a resident.
(C) Export of software services.
(D) A domestic company investing abroad.

103. Consider the following statements regarding types of FDI entry:
Statement I: Greenfield investment is a form of FDI where a parent company starts a new venture in a foreign country by constructing new operational facilities.
Statement II: A merger or acquisition is a form of FDI where a company buys an existing business in a foreign country.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

Click Here to Buy book on Amazon

157. An online retailer's recommendation engine, which suggests products to a user based on their past purchases and browsing history, is a practical application of:
(A) Data Mining
(B) Data Warehousing
(C) Knowledge Management
(D) Decision Support Systems

158. The concept of 'tacit knowledge' in an organization is best exemplified by:
(A) A published research paper.
(B) A detailed project plan.
(C) An experienced engineer's intuition in diagnosing a machine fault.
(D) A company's employee handbook.

159. When managing technological change, communication is critical in order to:
(A) Reduce uncertainty and fear, and build support for the change.
(B) Surprise employees with the new system.
(C) Identify employees who are resistant to change for punitive action.
(D) Limit the flow of information to prevent rumors.

160. Consider the following typical stages of adopting a new technology within a firm:
P. Full-scale implementation and integration into business processes.
Q. Initial investigation and evaluation of the technology.
R. Pilot testing in a controlled environment.
S. Decision to adopt the technology.
Which of the following is the correct chronological order of these stages?
(A) Q, S, R, P
(B) S, Q, P, R
(C) Q, R, S, P
(D) R, S, Q, P

161. A 'specific tariff' is a trade barrier that is levied as a:
(A) Fixed charge for each unit of a good imported.
(B) Percentage of the value of the imported good.
(C) Limit on the quantity of goods that can be imported.
(D) Tax on goods that are exported.

NODIA

162. The 'forward integration' form of vertical FDI is exemplified by:
(A) A coffee bean grower acquiring a chain of coffee shops.
(B) An oil refining company acquiring an oil exploration company.
(C) A car manufacturer acquiring another car manufacturer.
(D) A clothing retailer acquiring a textile mill.

163. Consider the following statements regarding international financial institutions:
Statement I: The primary goal of the IMF is to ensure the stability of the international monetary system.
Statement II: The primary goal of the World Bank is to promote long-term economic development and poverty reduction.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

164. In the context of the use of computers in management, 'what-if' analysis is a key capability of:
(A) Transaction Processing Systems
(B) Decision Support Systems
(C) Office Automation Systems
(D) Legacy Systems

165. Match the data mining task in List I with its description in List II:
List I: (Task)
P. Classification
Q. Clustering
R. Association Rule Mining
S. Anomaly Detection
List II: (Description)
1. Identifying unusual data points or outliers that do not conform to expected patterns.
2. Discovering relationships between variables in large databases (e.g., "market basket analysis").
3. Grouping a set of objects in such a way that objects in the same group are more similar to each other than to those in other groups.

184. The 'Doha Round' of WTO negotiations is often called the 'Development Round' because:
(A) It focused exclusively on the development of new technologies.
(B) Its stated objective was to lower trade barriers around the world, with a focus on helping developing countries.
(C) It was held in a developing country.
(D) It aimed to develop a new international currency.

185. A home country may try to limit the costs of outward FDI by:
(A) Banning all foreign investment by its domestic firms.
(B) Providing subsidies for firms to move production overseas.
(C) Implementing policies that encourage firms to bring back a portion of their foreign earnings.
(D) Increasing taxes on domestic production.

186. The concept of 'global commons' (e.g., the atmosphere, oceans) is relevant to globalization debates because:
(A) It highlights how economic activity in one country can have negative environmental consequences for the entire world.
(B) It refers to the shared cultural heritage of all humanity.
(C) It describes the common areas in international airports.
(D) It is a legal term for intellectual property that is not protected.

187. Which of the following is NOT a valid argument for free trade?
(A) It allows countries to specialize in the production of goods and services they produce most efficiently.
(B) It protects domestic industries from foreign competition.
(C) It increases the variety of goods available to consumers.
(D) It promotes competition and can lead to lower prices for consumers.

188. 'Errors and Omissions' is a balancing item in the BOP accounts that is included to:
(A) Account for statistical discrepancies and unrecorded transactions.
(B) Represent the government's official borrowings.
(C) Record all unilateral transfers.
(D) Track the trade in services.

189. A 'licensing agreement' is a form of international business where a firm (the licensor):
(A) Establishes a wholly-owned new facility in a foreign country.
(B) Grants rights to intangible property to another firm (the licensee) for a specified period in return for a royalty fee.
(C) Buys an existing firm in a foreign country.
(D) Exports its finished products to be sold by a distributor abroad.

190. Match the trade theory in List I with its core concept in List II:
List I: (Theory)
P. Mercantilism
Q. Absolute Advantage
R. Comparative Advantage
S. Heckscher-Ohlin
List II: (Concept)
1. Trade based on differences in opportunity cost.
2. Trade based on differences in national factor endowments.
3. Trade as a zero-sum game focused on accumulating gold.
4. Trade based on differences in absolute productivity.
(A) P-3, Q-4, R-1, S-2
(B) P-1, Q-2, R-3, S-4
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-3, R-2, S-1

191. Consider the following statements regarding Big Data:
Statement I: Big Data is often characterized by the '3 Vs': Volume, Variety, and Velocity.
Statement II: A fourth 'V', Veracity, is sometimes added to represent the trustworthiness or quality of the data.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is

Downloaded from www.pdf.tube

human expert.

S. Machine learning allows systems to learn from data without being explicitly programmed.

T. AI systems are incapable of learning or improving over time.

Which of the above statements are correct?

(A) Q, R, and S only
(B) P, Q, and R only
(C) P, S, and T only
(D) R, S, and T only

176. Which of the following is a key difference between a data warehouse and an operational database (OLTP)?

(A) A data warehouse is optimized for write operations, while an OLTP is optimized for read operations.
(B) A data warehouse stores historical data, while an OLTP stores current, real-time data.
(C) A data warehouse is used by frontline workers, while an OLTP is used by top executives.
(D) A data warehouse contains un-structured data, while an OLTP contains structured data.

177. A 'first-mover advantage' in international business refers to:

(A) The benefits that accrue to the first entrant in a market, such as building a strong brand and creating switching costs.
(B) The advantage of waiting for other companies to enter a market first to learn from their mistakes.
(C) The advantage held by the country that first proposed a trade agreement.
(D) The benefit of using the fastest mode of transportation for exports.

178. 'Accommodating' capital flows in the context of BOP are:

(A) Normal capital flows due to interest rate differentials.
(B) Capital flows required to balance the BOP.
(C) Foreign direct investment.
(D) Portfolio investment.

179. A US-based software company buys a controlling stake in an Indian IT services firm. This transaction would be recorded in India's Balance of Payments as:

(A) A credit entry in the current account.
(B) A debit entry in the current account.
(C) A credit entry in the financial account (as FDI inflow).
(D) A debit entry in the financial account (as FDI outflow).

180. Consider the following Assertion (A) and Reason (R) regarding technological change:
Assertion (A): Managing technological change effectively requires more than just technical expertise; it is a major organizational challenge.
Reason (R): Technological change often requires significant adjustments in organizational structure, culture, job roles, and employee skills, which can lead to resistance and implementation failure if not managed properly.

(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

NODIA

181. The use of 'predictive analytics', a key component of many Big Data initiatives, aims to:

(A) Describe what has happened in the past.
(B) Make predictions about unknown future events.
(C) Explain why a particular event happened.
(D) Store large volumes of historical data.

182. 'Knowledge mapping' is a process in Knowledge Management used to:

(A) Encrypt sensitive organizational knowledge.
(B) Delete outdated knowledge from databases.
(C) Identify and locate the knowledge assets and experts within an organization.
(D) Test employees on their knowledge of company policies.

183. Which statement accurately describes the relationship between MIS and DSS?

(A) DSS are a subset of MIS.
(B) MIS is a subset of DSS.
(C) DSS often use data generated by MIS to perform their analyses.
(D) MIS and DSS serve the exact same purpose and are interchangeable.

4. Assigning items in a collection to target categories or classes.

(A) P-1, Q-2, R-3, S-4
(B) P-4, Q-3, R-1, S-2
(C) P-4, Q-3, R-2, S-1
(D) P-3, Q-4, R-2, S-1

166. A key reason for the failure of a technological change initiative in an organization is often:
(A) The technology is too advanced.
(B) The technology is too expensive.
(C) Insufficient attention is paid to the human and organizational aspects of change.
(D) The implementation was too fast.

167. A 'Clean Bill of Lading' indicates that the goods were:
(A) Damaged upon receipt by the carrier.
(B) Received in an apparently good order and condition by the carrier.
(C) Sanitized for customs inspection.
(D) Insured for their full value.

168. The idea that as a product matures, both the optimal location of production and the location of demand will change, affecting the flow of trade, is central to which theory?
(A) Heckscher-Ohlin Theory
(B) Product Life-Cycle Theory
(C) Comparative Advantage Theory
(D) Mercantilism

169. Which principle of the WTO prevents a member from discriminating between its trading partners?
(A) National Treatment
(B) Most-Favoured-Nation (MFN)
(C) Reciprocity
(D) Transparency

170. Consider the following statements regarding challenges in managing global supply chains:
P. Dealing with longer lead times and transportation complexities.
Q. Managing inventory across different countries with varying demand.
R. Navigating different customs, duties, and trade regulations.
S. Currency fluctuations affecting costs and pricing.
Which of the above statements are correct?
(A) P, Q, R, and S
(B) P and Q only
(C) R and S only
(D) P, Q, and R only

171. 'Data mart' is a term used to describe a:
(A) Large, enterprise-wide data warehouse.
(B) A subset of a data warehouse, typically focused on a single subject area or department.
(C) The raw, unprocessed data before it enters the warehouse.
(D) A marketplace for buying and selling data.

172. A key objective of an EXIM policy is to:
(A) Restrict all imports to protect domestic industries.
(B) Promote exports and regulate imports to achieve a favorable balance of trade.
(C) Fix the country's currency exchange rate.
(D) Set domestic interest rates.

173. What is 'socialization' in the context of the SECI model of knowledge management?
(A) Converting explicit knowledge to tacit knowledge.
(B) Sharing tacit knowledge through observation, imitation, and practice.
(C) Combining different forms of explicit knowledge.
(D) Articulating tacit knowledge into explicit concepts.

174. Which of the following is an example of an operational-level decision that can be supported by a computer application?
(A) Deciding whether to enter a new foreign market.
(B) Determining the weekly production schedule.
(C) Developing a new five-year strategic plan.
(D) Deciding on a merger with a competitor.

175. Consider the following statements regarding Artificial Intelligence (AI):
P. AI is a narrow field focused only on robotics.
Q. Natural Language Processing (NLP) is a branch of AI that deals with the interaction between computers and human language.
R. An expert system is a computer system that emulates the decision-making ability of a

Click Here to Buy book on Amazon

correct.

192. A "community of practice" in the context of Knowledge Management is:
(A) A formal, mandated team working on a specific project.
(B) A software application for sharing documents.
(C) The legal department of an organization.
(D) A group of people who share a concern or a passion for something they do and learn how to do it better as they interact regularly.

193. Which of the following best represents a strategic-level decision for a firm?
(A) How many units to produce next week.
(B) Which supplier to choose for a raw material.
(C) Whether to diversify into a new product line.
(D) How to schedule employee shifts.

194. The process of making a computer understand and interpret human speech is known as:
(A) Computer Vision
(B) Speech Recognition
(C) Robotics
(D) Expert System

195. Consider the following statements regarding the management of technological change:
P. It is purely a technical project managed by the IT department.
Q. Employee participation and involvement can help reduce resistance.
R. Aligning the new technology with the company's strategic goals is crucial for success.
S. The impact of technological change is limited to a single department and does not affect the whole organization.
Which of the above statements are correct?
(A) P and S only
(B) Q and R only
(C) P, Q, and R only
(D) Q, R, and S only

196. The "balance on trade in goods and services" is a component of which BOP account?
(A) Current Account
(B) Capital Account
(C) Financial Account
(D) Official Reserves Account

197. An import quota is a trade restriction that:
(A) Places a tax on imported goods.
(B) Sets a physical limit on the quantity of a good that can be imported.
(C) Provides a government payment to domestic producers.
(D) Requires a certain percentage of a good to be produced domestically.

198. The 'adverse selection' problem in FDI occurs when:
(A) A firm invests in a country with a high level of political risk without realizing it.
(B) A firm's specific actions have a negative impact on the host country's economy.
(C) A firm's investment crowds out domestic producers.
(D) A firm overpays for a foreign asset because it has less information than the seller.

199. The WTO's principle of 'reciprocity' implies that:
(A) A country's trade concessions should be matched by concessions from its trading partners.
(B) All countries must have identical trade policies.
(C) All imported goods must be treated the same as domestic goods.
(D) Disputes should be settled through bilateral negotiations only.

200. Consider the following statements regarding the primary functions of the International Monetary Fund (IMF):
P. Providing long-term loans for infrastructure projects like roads and dams.
Q. Surveillance of the global financial system and member economies.
R. Providing technical assistance and training in its areas of expertise.
S. Acting as a lender of last resort to countries with balance-of-payments problems.
T. Regulating international trade in goods and services.
Which of the above statements are correct?
(A) P, Q, and R only
(B) Q, R, and S only
(C) P, S, and T only

Downloaded from www.pdf.tube

obligation.
(B) A ban on the import of all capital goods to encourage domestic production.
(C) Exporters to receive a direct cash subsidy for their exports.
(D) The free import of consumer goods.

219. The concept of 'economies of scale' is important in the New Trade Theory because it suggests that:
(A) As production output increases, the cost per unit of production decreases.
(B) Countries with more labor will always have a trade advantage.
(C) Small-scale production is more efficient for international trade.
(D) Trade is only beneficial between countries of different sizes.

220. Consider the following statements regarding the World Bank and IMF:
P. The World Bank was created to promote long-term economic development.
Q. The IMF's primary role is to maintain order in the international monetary system.
R. Both institutions are headquartered in Washington, D.C.
S. A country must first join the IMF to be eligible for membership in the World Bank.
Which of the above statements are correct?
(A) P and Q only
(B) P, Q, R, and S
(C) S only
(D) P, Q, and R only

221. A critical component of a Decision Support System (DSS) is the 'model base', which contains:
(A) A collection of historical data.
(B) A collection of quantitative models like statistical models, optimization models, and forecasting models.
(C) The user interface and graphical tools.
(D) The raw transaction data from the last 24 hours.

222. The term 'data lake' refers to:
(A) A highly structured and filtered data repository.
(B) A small subset of a data warehouse.
(C) A backup copy of an operational database.
(D) A centralized repository that allows you to store all your structured and unstructured data at any scale.

223. The 'internalization theory' of FDI argues that firms prefer FDI over licensing in order to:
(A) Avoid the complexities of managing a foreign operation.
(B) Reduce the risk of a licensee disseminating the firm's proprietary knowledge.
(C) Enter a foreign market with minimal capital investment.
(D) Comply with host government regulations.

224. Which of the following is a primary challenge of Knowledge Management?
(A) Encouraging employees to share their valuable tacit knowledge.
(B) Finding enough storage space for all the explicit knowledge.
(C) Reducing the amount of information available to employees.
(D) Preventing employees from learning new skills.

225. Consider the following statements regarding the primary components of a country's Balance of Payments accounts:
P. The Current Account, which records trade in goods, services, and income flows.
Q. The Domestic Budget Account, which tracks government spending and revenue.
R. The Capital Account, which records transfers of capital and non-financial assets.
S. The Financial Account, which records investment flows like FDI and portfolio investment.
T. The National GDP Account, which measures the country's total economic output.
Which of the above statements are correct?
(A) P, Q, and T only
(B) P, R, and S only
(C) Q and T only
(D) P, Q, R, S, and T

226. 'Voluntary Export Restraints' (VERs) are trade barriers where:
(A) An importing country sets a quota on imports.
(B) An exporting country voluntarily limits the quantity of goods it exports to another country, often at the request of the importing

NODIA

chronological order of their establishment?
(A) Q, S, P, R
(B) Q, P, S, R
(C) P, Q, S, R
(D) S, P, Q, R

211. Which of the following is an example of 'combination' in the SECI model of knowledge management?
(A) A junior employee learning a skill by watching a senior colleague.
(B) A project manager writing a "lessons learned" document.
(C) An analyst integrating data from marketing reports and sales forecasts to create a new market analysis document.
(D) An executive gaining strategic insight after reading several industry reports.

212. A system that can analyze a medical image (like an X-ray) and identify potential anomalies is an application of which branch of AI?
(A) Natural Language Processing
(B) Expert Systems
(C) Computer Vision
(D) Robotics

213. Consider the following statements regarding the management of technological change:
Statement I: Managing technological change is a one-time event that ends once the technology is installed.
Statement II: Effective management of technological change requires ongoing evaluation, support, and adaptation to ensure the benefits are realized.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

214. The term 'offshoring' is best defined as:
(A) The relocation of a business process from one country to another.
(B) The practice of contracting out a business process to a third-party provider.
(C) Selling goods and services in a foreign country.
(D) Investing in foreign financial instruments.

215. Match the IT system in List I with its primary purpose in List II:
List I: (System)
P. MIS
Q. DSS
R. TPS
S. AI
List II: (Purpose)
1. Emulating human intelligence for complex tasks.
2. Supporting semi-structured decision-making with 'what-if' analysis.
3. Processing routine, high-volume daily business events.
4. Providing routine summary and exception reports for tactical management.
(A) P-4, Q-2, R-3, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-3, R-2, S-1
(D) P-3, Q-4, R-1, S-2

216. A key benefit of FDI for the home country can be:
(A) The outward flow of profits from the foreign subsidiary, which benefits the home country's balance of payments.
(B) The loss of jobs to the host country.
(C) The initial capital outflow required to finance the investment.
(D) The potential for political instability in the host country.

217. The 'spillover effect' or 'demonstration effect' is a potential benefit of FDI where:
(A) Foreign firms transfer all their profits back to the home country.
(B) The presence of foreign firms with superior technology and management practices can boost the productivity of local firms.
(C) Foreign firms drive all local competitors out of business.
(D) The host country's culture is completely replaced by the home country's culture.

218. An 'Export Promotion Capital Goods' (EPCG) scheme in an EXIM policy typically allows:
(A) The import of capital goods at a reduced or zero customs duty, subject to an export

Click Here to Buy book on Amazon

(A) Mandates knowledge sharing through formal hierarchies.
(B) Facilitates the informal exchange of tacit knowledge and collaborative problem-solving.
(C) Provides a secure repository for explicit knowledge documents.
(D) Replaces the need for formal training programs.

237. The 'digital divide' is a term used to describe:
(A) The gap between those who have ready access to computers and the Internet, and those who do not.
(B) The gap between different software versions.
(C) The physical separation between a computer's CPU and its memory.
(D) The process of dividing a large dataset into smaller chunks.

238. Consider the following stages of Lewin's Change Model:
P. Unfreezing
Q. Changing
R. Refreezing
Which of the following is the correct chronological order of these stages for managing technological change?
(A) P, Q, R
(B) Q, P, R
(C) R, Q, P
(D) P, R, Q

239. 'Trade creation' and 'trade diversion' are concepts used to analyze the effects of:
(A) Unilateral trade policies
(B) Regional economic integration (e.g., customs unions)
(C) Floating exchange rates
(D) Technology transfer

240. Match the document in List I with its role in international trade in List II:
List I: (Document)
P. Letter of Credit
Q. Bill of Lading
R. Commercial Invoice
S. Certificate of Origin
List II: (Role)
1. Serves as a receipt, contract of carriage, and document of title for goods.
2. Certifies the country where the goods were produced.
3. A bank's guarantee of payment to the exporter.
4. The primary bill for the goods from the seller to the buyer.
(A) P-3, Q-1, R-4, S-2
(B) P-3, Q-1, R-4, S-2
(C) P-3, Q-4, R-1, S-2
(D) P-4, Q-2, R-3, S-1

241. Which of the following is a key characteristic of data in a Data Warehouse?
(A) Integrated from multiple sources and time-variant
(B) Volatile and constantly changing
(C) Optimized for fast transaction processing
(D) Contains only current, real-time information

242. 'Fuzzy logic' is a form of AI that:
(A) Deals with reasoning that is approximate rather than fixed and exact.
(B) Is based on the structure of the human brain.
(C) Learns from labeled training data.
(D) Is used for processing natural language.

243. The "Not Invented Here" (NIH) syndrome is a significant barrier to managing technological change, characterized by:
(A) A tendency to reject new ideas or technologies developed outside the organization.
(B) An organization's willingness to adopt any external technology.
(C) A culture of secrecy where no one knows what is being invented.
(D) A legal restriction on using patented inventions.

244. The theory of comparative advantage was first articulated by:
(A) David Ricardo
(B) Adam Smith
(C) Eli Heckscher
(D) Paul Krugman

245. Consider the following statements regarding the benefits of inward FDI for a host country:
P. FDI can be a source of new capital, technology, and management skills.
Q. FDI can boost a country's exports and

NODIA

country.
(C) An exporting country refuses to sell goods to another country.
(D) A tax is placed on exported goods.

227. In the context of globalization, cultural homogenization refers to:
(A) The preservation and celebration of diverse local cultures.
(B) The convergence of different cultures towards a common, global culture.
(C) The legal protection of cultural artifacts.
(D) The study of ancient cultures.

228. Which of the following is NOT a cost of FDI to the home country?
(A) Potential job losses if production is moved abroad.
(B) Negative impact on the balance of payments from initial capital outflow.
(C) Potential loss of technological advantage if technology is transferred abroad.
(D) Inflow of repatriated earnings from the foreign subsidiary.

229. A 'data dictionary' is a crucial component of a database system because it:
(A) Stores the actual user data.
(B) Contains metadata, which is data about the data (e.g., data types, formats, relationships).
(C) Is a user-friendly interface for querying the database.
(D) Is a log of all transactions performed on the database.

230. Consider the following Assertion (A) and Reason (R) regarding the GATS agreement:
Assertion (A): The GATS agreement under the WTO covers four modes of supplying services internationally.
Reason (R): These modes include cross-border supply, consumption abroad, commercial presence, and presence of natural persons, covering the full spectrum of how services can be traded.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

231. The "Robber Barons" of the 19th century are often associated with which view of globalization's impact?
(A) A positive view, emphasizing job creation and wealth.
(B) A critical view, highlighting exploitation, monopolies, and growing inequality.
(C) A neutral view, focused on technological progress.
(D) A cultural view, focused on the spread of ideas.

232. A country with a persistent current account deficit is effectively:
(A) Lending to the rest of the world.
(B) Borrowing from the rest of the world.
(C) Increasing its net foreign assets.
(D) Exporting more than it imports.

233. The 'eclectic paradigm' (also known as the OLI framework) for FDI states that a firm will invest overseas if it has which three types of advantages?
(A) Ownership, Location, and Internalization
(B) Opportunity, Leadership, and Investment
(C) Organization, Labor, and Innovation
(D) Output, Leverage, and Integration

234. The main purpose of an 'Air Waybill' is to:
(A) Serve as a contract of carriage for air transport and a receipt for the goods.
(B) Act as a negotiable document of title to the goods.
(C) Guarantee payment from the importer's bank.
(D) Certify the country of origin of the goods.

235. The concept of 'reinforcement learning' in AI involves an agent:
(A) Learning to achieve a goal in a complex environment by taking actions and receiving feedback in the form of rewards or penalties.
(B) Learning from a large set of labeled data.
(C) Discovering hidden structures in unlabeled data.
(D) Following a pre-programmed set of explicit rules.

236. A 'community of practice' is an important element in a successful Knowledge Management system because it:

Downloaded from www.pdf.tube

(D) Q, S, and T only

201. Which IT system is primarily focused on improving the productivity of data workers and office staff?
(A) Executive Information System (EIS)
(B) Decision Support System (DSS)
(C) Office Automation System (OAS)
(D) Transaction Processing System (TPS)

202. The ETL process (Extract, Transform, Load) is fundamental to the function of:
(A) A transactional database
(B) A data warehouse
(C) An expert system
(D) A real-time operating system

203. A "technology transfer" office in a university or research institution is primarily responsible for:
(A) Purchasing new computer equipment.
(B) Managing the process of commercializing innovations developed in the institution.
(C) Providing IT support to faculty and staff.
(D) Teaching courses on information technology.

204. Which of the following is a key driver of the 'globalization of production'?
(A) The desire to sell a uniform product worldwide.
(B) National differences in the cost and quality of factors of production.
(C) The rise of non-tariff barriers to trade.
(D) Strong consumer demand for locally-made products.

205. Consider the following Assertion (A) and Reason (R) regarding Data Mining:
Assertion (A): Data mining can help businesses discover previously unknown and valuable patterns in their customer data.
Reason (R): Techniques like association rule mining can identify products that are frequently purchased together, leading to improved marketing and store layout strategies.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

206. 'Dumping' in the context of international trade refers to:
(A) Selling goods in a foreign market at below their costs of production, or below their "fair" market value.
(B) Imposing a high tariff on imported goods.
(C) Providing a subsidy to domestic producers.
(D) Refusing to import goods from a certain country.

207. A debit entry in the Balance of Payments represents:
(A) Any transaction that leads to a receipt of foreign currency.
(B) Any transaction that leads to a payment of foreign currency.
(C) The export of goods.
(D) Foreign investment received by the country.

208. The main difference between a 'merger' and an 'acquisition' as forms of FDI is that:
(A) A merger involves creating an entirely new company, while an acquisition involves buying an existing one.
(B) A merger is a friendly deal, while an acquisition is hostile.
(C) A merger involves firms combining into a new entity, while an acquisition is one buying another.
(D) Mergers are for domestic companies, while acquisitions are for foreign companies.

NODIA

209. The 'Uruguay Round' of GATT negotiations was significant because it led to:
(A) The creation of the World Trade Organization (WTO).
(B) The initial creation of GATT in 1947.
(C) The first major reductions in tariffs on manufactured goods.
(D) The establishment of the gold standard.

210. Consider the following members of the World Bank Group:
P. International Development Association (IDA)
Q. International Bank for Reconstruction and Development (IBRD)
R. Multilateral Investment Guarantee Agency (MIGA)
S. International Finance Corporation (IFC)
Which of the following is the correct

improve its balance of payments.
R. FDI always leads to the closure of all domestic firms in the industry.
S. FDI can lead to increased employment.
Which of the above statements are correct?
(A) P, Q, and R only
(B) Q, R, and S only
(C) P, Q, and S only
(D) P and R only

246. Consider the following statements regarding international financial institutions:
Statement I: The World Bank provides funding for long-term development projects.
Statement II: The IMF provides short-term financial assistance to stabilize economies.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

247. The information in a Management Information System (MIS) is generally:
(A) Based on internal data and presented in structured, summary reports.
(B) Unstructured, external, and forward-looking.
(C) Detailed, real-time, and transaction-focused.
(D) Based on interactive models and 'what-if' analysis.

248. The primary risk of 'groupthink' in knowledge management is that it can:
(A) Stifle creativity and critical evaluation of ideas within a cohesive group.
(B) Encourage too much diverse opinion.
(C) Lead to faster decision-making.
(D) Facilitate the transfer of tacit knowledge.

249. Which of the following is a 'pull' factor encouraging a firm to engage in FDI?
(A) Trade barriers in a foreign market that limit export opportunities.
(B) Saturated domestic market.
(C) High production costs at home.
(D) Excess capital available for investment.

250. Consider the following statements regarding the process of managing technological change in an organization:
P. It is a socio-technical process, involving both technology and people.
Q. Strong leadership and a clear vision are critical for success.
R. The process is complete once the new technology is installed.
S. It often requires changes to organizational culture and structure.
T. Employee resistance is a minor issue that can be ignored.
Which of the above statements are correct?
(A) P, Q, and S only
(B) R, S, and T only
(C) P, Q, and R only
(D) Q, S, and T only

Direction : Please read the following source carefully.

Managing business in the globalization era represents a paradigm shift from traditional, domestic-focused management. It necessitates a deep understanding of the intricate and interconnected global economic landscape, characterized by the free flow of capital, goods, services, and information across national borders. This environment presents a dual-edged sword of opportunities and challenges. On one hand, businesses can access new markets, tap into global talent pools, and optimize supply chains for cost efficiency. On the other, they face heightened competition, exposure to geopolitical risks, currency fluctuations, and the complexity of navigating diverse cultural norms and regulatory frameworks. Effective management in this context requires strategic agility, the ability to develop a global mindset within the organization, and the implementation of sophisticated risk management strategies. Managers must be adept at cross-cultural communication, sensitive to local customs and consumer preferences, and capable of leading geographically dispersed teams. The fundamental challenge is to balance the need for global integration, which seeks to standardize operations for efficiency, with the imperative of local responsiveness, which requires adapting products, services, and strategies to meet the unique demands of individual markets.

Based on the above source, attempt the following

Click Here to Buy book on Amazon

living abroad.

263. The paragraph states that the Balance of Payments is a record of economic transactions between:
(A) Different government agencies within a single country.
(B) Only multinational corporations and their host countries.
(C) The residents of a country and the rest of the world.
(D) The central bank and commercial banks within a nation.

264. Which component of the Balance of Payments includes the balance of trade (exports and imports of goods) and transactions in services?
(A) The Capital Account.
(B) The Financial Account.
(C) The Reserve Assets Account.
(D) The Current Account.

265. What fundamental principle governs the overall structure of the Balance of Payments account?
(A) The sum of the current, capital, and financial accounts must balance to zero.
(B) The Current Account must always be in surplus for a healthy economy.
(C) Foreign Direct Investment must always exceed portfolio investment.
(D) The balance of trade must be equal to the balance of services.

Direction : Please read the following source carefully.

Foreign Direct Investment (FDI) involves an investment from a party in one country into a business or corporation in another country with the intention of establishing a lasting interest. The analysis of FDI reveals a complex interplay of benefits and costs for both the host (recipient) and home (source) countries. For host countries, the primary benefits include capital inflows, transfer of advanced technology and management skills, job creation, and increased competition, which can lead to greater efficiency and lower prices for consumers. Furthermore, FDI can boost the host country's exports and contribute positively to its balance of payments. However, the costs can be significant. FDI may lead to the domination of domestic markets by foreign firms, potentially driving local competitors out of business. There is also the risk of 'enclave' economies, where foreign firms have limited linkages with the local economy. Other potential costs include the repatriation of profits by foreign companies, which can negatively affect the host country's balance of payments, and the potential for foreign investors to exploit lax environmental or labor regulations. A critical challenge for host country governments is to formulate policies that maximize the benefits of FDI while mitigating its potential costs, ensuring that the investment contributes to sustainable national development.

Based on the above source, attempt the following five questions.

266. Which of the following is described in the text as a primary benefit of Foreign Direct Investment for a host country?
(A) A guaranteed increase in the host country's currency value.
(B) The transfer of technology and advanced management skills.
(C) The complete elimination of local competition.
(D) A reduction in the host country's total exports.

267. The paragraph identifies the repatriation of profits by foreign companies as a potential cost to the host country because it can:
(A) Increase the host country's balance of payments surplus.
(B) Negatively affect the host country's balance of payments.
(C) Lead to an immediate transfer of new technology.
(D) Force local competitors to become more efficient.

268. What does the term 'enclave' economies refer to in the context of FDI costs?
(A) Foreign firms that have minimal connections and spillovers to the local economy.
(B) Foreign firms that exclusively hire expatriate workers.
(C) Foreign investments that are concentrated in a single geographical area.
(D) Foreign investments that are solely focused on the host country's domestic market.

NODIA

(D) Comparative Advantage applies only to capital-intensive goods, while Absolute Advantage applies to labor-intensive goods.

257. According to the Heckscher-Ohlin theory, what is the principal determinant of a country's comparative advantage?
(A) The level of government intervention in the economy.
(B) The absolute efficiency of its labor force.
(C) The maturity stage of its primary export products.
(D) The relative abundance of its national factor endowments.

258. The Product Life-Cycle Theory of trade suggests that:
(A) As a product matures and becomes standardized, its production may relocate to countries with lower labor costs.
(B) All products are best produced in the country where they were invented throughout their life cycle.
(C) The location of production for a product is static and does not change over time.
(D) Developing countries are always the innovators of new products, which are then produced in advanced economies.

259. Based on Ricardo's theory of Comparative Advantage, a country should specialize in producing and exporting goods for which it has the:
(A) Highest absolute production cost.
(B) Greatest domestic demand.
(C) Lowest opportunity cost.
(D) Most abundant natural resources.

260. Which theory directly attributes a country's trade patterns to its relative availability of land, labor, and capital?
(A) Heckscher-Ohlin Theory.
(B) Theory of Absolute Advantage.
(C) Product Life-Cycle Theory.
(D) Theory of Comparative Advantage.

Direction : Please read the following source carefully.

The Balance of Payments (BOP) is a systematic statistical record of all economic transactions between the residents of a country and the rest of the world over a specific period, typically a year or a quarter. It is a crucial indicator of a nation's economic health and its position in the global economy. The BOP account is fundamentally structured into two main components: the Current Account and the Capital and Financial Account. The Current Account records transactions in goods (the balance of trade), services, primary income (such as interest and dividends from investments), and secondary income (unilateral transfers like remittances and foreign aid). A surplus in the current account indicates that a country is a net lender to the rest of the world, while a deficit suggests it is a net borrower. The Capital and Financial Account, on the other hand, documents transactions involving financial assets and liabilities, such as Foreign Direct Investment (FDI), portfolio investments (stocks and bonds), and other investments and reserve assets. In principle, the BOP must always balance, meaning the sum of the current account and the capital and financial account (plus any statistical discrepancies) must equal zero. A persistent and large BOP deficit can signal underlying economic problems and may lead to a depreciation of the nation's currency.

Based on the above source, attempt the following five questions.

261. According to the paragraph, what does a deficit in a country's Current Account signify?
(A) The country is a net lender to the rest of the world.
(B) The country's exports of goods and services exceed its imports.
(C) The country has received more in remittances than it has sent out.
(D) The country is a net borrower from the rest of the world.

262. Which of the following transactions would be recorded in the Capital and Financial Account of the Balance of Payments?
(A) A domestic company exporting textiles to another country.
(B) A foreign company making a direct investment to build a factory in the reporting country.
(C) A foreign tourist spending money in the reporting country.
(D) A citizen receiving a cash gift from a relative

NODIA

five questions.

251. According to the paragraph, what is the central dilemma faced by managers in the era of globalization?
(A) Choosing between entering new markets and consolidating domestic operations.
(B) Balancing the drive for global standardization with the need for local market adaptation.
(C) Managing the conflict between accessing global talent and hiring locally.
(D) Deciding between optimizing supply chains for cost and ensuring product quality.

252. Which of the following is presented in the text as a primary opportunity arising from globalization?
(A) Access to new markets and global talent.
(B) Reduced domestic competition.
(C) Guaranteed currency stability.
(D) Simplified regulatory environments.

253. The paragraph suggests that a "global mindset" within an organization primarily involves:
(A) The exclusive use of a single corporate language for all communications.
(B) A preference for hiring expatriates for all senior management positions.
(C) The capacity to understand and appreciate diverse cultural and business contexts.
(D) The strategy of marketing a single, unchanged product worldwide.

254. As per the text, which of the following is NOT listed as a significant challenge of managing in a globalized environment?
(A) Geopolitical risks and currency fluctuations.
(B) Navigating diverse cultural norms.
(C) Heightened competition from global players.
(D) The decline of information technology.

255. The text implies that effective management in the globalization era fundamentally requires leaders to be:
(A) Rigid in their application of home-country management principles.
(B) Focused solely on achieving cost efficiency through global integration.
(C) Capable of leading diverse, geographically dispersed teams with cultural sensitivity.
(D) Experts in domestic policy and local government relations only.

Direction : Please read the following source carefully.

Theories of international trade provide frameworks for understanding why nations engage in commerce with one another. Classical theories, originating with Adam Smith's theory of Absolute Advantage, posited that a country should export goods it can produce more efficiently (with fewer resources) than other nations. David Ricardo refined this with the theory of Comparative Advantage, arguing that trade can be mutually beneficial even if one nation is more efficient in producing all goods. The key, he argued, lies in specializing in the production of goods where a country has a lower opportunity cost. Moving beyond classical thought, the Heckscher-Ohlin theory proposed that comparative advantage arises from differences in national factor endowments, such as land, labor, and capital. This theory predicts that countries will export goods that make intensive use of their locally abundant factors. More contemporary theories, like the Product Life-Cycle Theory, suggest that trade patterns evolve over time as a product matures. A new product might be invented and exported by an advanced economy, but as it standardizes, its production may shift to developing countries with lower labor costs. These theories collectively illustrate that the drivers of international trade are multifaceted, evolving from simple productivity differences to complex interactions of factor endowments, technology, and corporate strategy.

Based on the above source, attempt the following five questions.

256. What is the primary distinction between the theory of Absolute Advantage and the theory of Comparative Advantage?
(A) Absolute Advantage focuses on opportunity cost, while Comparative Advantage focuses on resource efficiency.
(B) Comparative Advantage allows for mutually beneficial trade even when one nation has an absolute advantage in all goods.
(C) Absolute Advantage is a contemporary theory, whereas Comparative Advantage is a classical theory.

Downloaded from www.pdf.tube

269. According to the text, a major challenge for a host country's government regarding FDI is to:
(A) Prohibit all forms of foreign investment to protect domestic industries.
(B) Attract FDI by eliminating all environmental and labor regulations.
(C) Create policies that optimize the positive effects of FDI while minimizing the negative ones.
(D) Ensure that foreign firms only repatriate a small fraction of their profits.

270. Based on the definition provided, what is the key intention that distinguishes FDI from other forms of foreign investment?
(A) The desire for short-term speculative gains.
(B) The exclusive investment in government bonds.
(C) The aim of providing humanitarian aid.
(D) The goal of establishing a lasting interest in a foreign enterprise.

Direction : Please read the following source carefully.

The multilateral regulation of trade and investment has been significantly shaped by the World Trade Organization (WTO), which provides a rules-based framework for international commerce. The core objective of the WTO is to ensure that trade flows as smoothly, predictably, and freely as possible. This is achieved through a set of legal agreements negotiated and signed by the majority of the world's trading nations. Central to the WTO's regulatory philosophy are several key principles. The principle of non-discrimination is paramount, manifesting in two forms: the 'Most-Favoured-Nation' (MFN) rule, which requires a country to grant the same trade advantages to all other WTO members, and the 'National Treatment' principle, which prohibits discrimination between imported goods and domestically produced goods once the former have entered the market. Other principles include promoting freer trade through gradual tariff reduction, ensuring predictability through binding commitments and transparency in trade policies, and encouraging fair competition. A crucial function of the WTO is its dispute settlement mechanism, which provides a legal process for resolving trade disputes between member countries, thereby preventing unilateral actions and trade wars. This multilateral system aims to create a stable and equitable environment for international trade and investment.

Based on the above source, attempt the following five questions.

NODIA

271. What is the 'Most-Favoured-Nation' (MFN) principle of the WTO?
(A) A country must give preferential treatment to its most favored trading partner over all others.
(B) A country can favor imports from developing nations over those from developed nations.
(C) A country must apply the same tariffs and trade advantages to all other WTO members.
(D) Domestic goods must be favored over all imported goods from member nations.

272. According to the paragraph, the 'National Treatment' principle applies to a product:
(A) Before it has been cleared by customs.
(B) Once it has entered the domestic market.
(C) Only if it is a raw material.
(D) Only if it is from a neighboring country.

273. What is identified in the text as a crucial function of the WTO for preventing trade wars?
(A) The direct provision of investment capital to member nations.
(B) The setting of global prices for major commodities.
(C) The unilateral imposition of sanctions on non-compliant members.
(D) Its dispute settlement mechanism for resolving trade conflicts.

274. The primary objective of the WTO, as stated in the text, is to:
(A) Ensure international trade is as free, smooth, and predictable as possible.
(B) Maximize tariff revenues for all member governments.
(C) Regulate the flow of international investment exclusively.
(D) Promote the interests of developed countries over developing ones.

275. The principle of non-discrimination within the WTO framework is embodied by which two rules?
(A) Freer Trade and Fair Competition.

advanced application. A DSS is an interactive, computer-based system that assists managers in making decisions that are semi-structured or unstructured—problems where the decision-making process is not fully pre-defined. Unlike MIS, which provides information, a DSS provides analytical tools, models, and access to various data sources (both internal and external) to help managers explore different scenarios and evaluate potential outcomes. For example, a DSS could be used to model the financial impact of different pricing strategies, allowing a manager to make a more informed, non-routine decision.

Based on the above source, attempt the following five questions.

286. What is the primary difference between a Management Information System (MIS) and a Decision Support System (DSS) as described in the text?
(A) MIS uses external data, while DSS uses only internal data.
(B) MIS is used by top-level executives, while DSS is used only by low-level operational staff.
(C) MIS focuses on future predictions, while DSS is concerned only with historical data.
(D) MIS supports structured decisions with routine reports, while DSS assists with semi-structured decisions using analytical models.

287. A manager needing a report on monthly sales figures for every product line would most likely use which type of system?
(A) A Decision Support System (DSS).
(B) An Artificial Intelligence (AI) system.
(C) A Management Information System (MIS).
(D) A Knowledge Management System (KMS).

288. According to the paragraph, a Decision Support System (DSS) is particularly useful for problems that are:
(A) Routine and fully pre-defined.
(B) Semi-structured or unstructured.
(C) Repetitive and transactional.
(D) Structured and historical.

289. The main purpose of a Management Information System (MIS) is to:
(A) Explore hypothetical "what-if" scenarios for future strategic planning.
(B) Replace managerial judgment with automated decisions.
(C) Facilitate real-time communication between geographically dispersed teams.
(D) Provide managers with structured reports from internal data for monitoring and control.

290. A key feature of a DSS that distinguishes it from an MIS is its ability to:
(A) Provide analytical tools and models to explore different scenarios.
(B) Process operational transactions and generate summary reports.
(C) Restrict access to information based on managerial hierarchy.
(D) Operate without the need for a computer or software.

Direction : Please read the following source carefully.

The contemporary business landscape is being profoundly reshaped by the synergistic forces of Artificial Intelligence (AI) and Big Data. Big Data refers to the vast, complex, and rapidly growing datasets that are generated from a multitude of sources, such as social media, e-commerce transactions, and Internet of Things (IoT) sensors. These datasets are characterized by the "Three V's": high Volume, high Velocity (speed of generation), and high Variety (structured, semi-structured, and unstructured formats). Traditional data processing tools are inadequate for handling such scale and complexity. This is where Artificial Intelligence becomes critical. AI encompasses a range of technologies that enable machines to simulate human intelligence, including learning, reasoning, and problem-solving. In the context of Big Data, AI algorithms, particularly from the subfield of machine learning, are deployed to analyze these massive datasets to uncover hidden patterns, identify correlations, make predictions, and automate decision-making processes. For instance, AI can analyze customer Big Data to personalize marketing campaigns, predict customer churn, or optimize supply chain logistics in real-time. The combination of Big Data as the raw material and AI as the analytical engine allows organizations to derive unprecedented insights and create significant

Click Here to Buy book on Amazon

countries with balance of payments difficulties, and providing technical assistance and training to help countries improve their economic management. The IMF's loans are typically short- to medium-term and come with policy conditions, known as 'conditionalities', aimed at correcting the underlying economic problems. In contrast, the World Bank's primary objective is long-term economic development and poverty reduction. It provides financial and technical assistance to developing countries for specific projects, such as building infrastructure, improving education systems, and strengthening healthcare. The World Bank is composed of two main institutions: the International Bank for Reconstruction and Development (IBRD), which lends to middle-income and creditworthy low-income countries, and the International Development Association (IDA), which provides interest-free loans and grants to the world's poorest countries. In essence, the IMF acts as a global financial stability overseer, while the World Bank functions as a development bank.

Based on the above source, attempt the following five questions.

281. What is the primary role of the International Monetary Fund (IMF) as described in the paragraph?
(A) To ensure the stability of the international monetary system.
(B) To fund long-term infrastructure projects in the poorest countries.
(C) To act as a global commercial bank for multinational corporations.
(D) To directly regulate international trade tariffs and quotas.

282. A key difference between the IMF and the World Bank is that:
(A) The IMF focuses on long-term development projects, while the World Bank addresses short-term balance of payments crises.
(B) The IMF lends to countries with balance of payments difficulties, while the World Bank focuses on poverty reduction projects.
(C) The World Bank's loans are always interest-free, while the IMF's loans carry high interest rates.
(D) The IMF is a private institution, while the World Bank is a public government agency.

283. What are 'conditionalities' in the context of IMF lending?
(A) The specific infrastructure projects a country must undertake with the loan.
(B) The policy conditions attached to a loan, aimed at correcting economic problems.
(C) The interest-free terms offered to the poorest member countries.
(D) The requirement that a country must be a member of the World Bank to receive an IMF loan.

284. The World Bank's mission of providing interest-free loans and grants to the world's poorest countries is carried out by which of its institutions?
(A) The International Development Association (IDA).
(B) The International Bank for Reconstruction and Development (IBRD).
(C) The International Monetary Fund (IMF).
(D) The World Trade Organization (WTO).

285. The text suggests an analogy where the IMF is to financial stability what the World Bank is to:
(A) Currency exchange.
(B) Short-term lending.
(C) Long-term development.
(D) Economic surveillance.

Direction : Please read the following source carefully.

The integration of Information Technology (IT) has revolutionized management practices, providing tools that enhance decision-making and operational efficiency. The use of computers in management applications ranges from basic data processing to sophisticated analytical systems. A foundational application is the Management Information System (MIS). An MIS is designed to provide managers with the information they need to manage the organization effectively. It primarily deals with structured, internal data, processing operational transactions to generate routine reports, such as daily sales figures, weekly inventory levels, or monthly financial summaries. The key characteristic of MIS is its focus on past and present data, presented in a pre-defined, structured format to support control and monitoring functions. Evolving from this, the Decision Support System (DSS) represents a more

NODIA

data repository.
(C) Manually creating routine reports from a database.
(D) Managing the storage and security of organizational data.

298. How do Data Warehousing and Data Mining relate to each other?
(A) They are identical processes with different names.
(B) The data warehouse provides the structured data that data mining techniques analyze.
(C) Data mining is used to create the data that goes into a data warehouse.
(D) The data warehouse is a result of the data mining process.

299. According to the paragraph, what is the role of Knowledge Management in this context?
(A) It is a synonym for the technical process of data mining.
(B) It is the organizational process of creating, sharing, and using the insights derived from data.
(C) It is the process of building and maintaining the data warehouse.
(D) It is a specific software used for extracting patterns from data.

300. The text suggests that successfully managing technological change, such as implementing data mining, requires:
(A) A Knowledge Management process to embed new insights into the organization.
(B) Discarding all historical data in favor of real-time information.
(C) Focusing solely on the technical aspects of the new technology.
(D) Replacing the data warehouse with a simpler operational database.

www.nodia.in

Downloaded from www.pdf.tube

competitive advantage by moving from a reactive to a proactive and predictive operational model.
Based on the above source, attempt the following five questions.

291. According to the text, what are the "Three V's" that characterize Big Data?
(A) Value, Veracity, and Vision.
(B) Variables, Vectors, and Validation.
(C) Volume, Velocity, and Variety.
(D) Visualization, Vocals, and Virtualization.

292. What role does Artificial Intelligence (AI) play in relation to Big Data?
(A) AI serves as the analytical engine to process Big Data and extract insights.
(B) AI is responsible for generating the initial volume of Big Data.
(C) AI's primary function is to store and archive Big Data securely.
(D) AI is a traditional data processing tool that is now obsolete due to Big Data.

293. The paragraph suggests that the synergy between AI and Big Data enables businesses to shift towards which type of operational model?
(A) A reactive and historical model.
(B) A manual and decentralized model.
(C) A standardized and inflexible model.
(D) A proactive and predictive model.

294. Which of the following is given as an example of an application of AI on Big Data?
(A) Manually entering sales data into a spreadsheet.
(B) Predicting customer churn by analyzing their past behavior patterns.
(C) Storing employee records in a physical filing cabinet.
(D) Printing standard weekly inventory reports.

295. The text implies that traditional data processing tools are insufficient for Big Data primarily due to its:
(A) High cost of acquisition.
(B) Unreliable and inaccurate nature.
(C) Scale, speed of generation, and diverse formats.
(D) Lack of relevance to business problems.

Direction : Please read the following source carefully.

In the information-driven economy, organizations leverage data as a strategic asset through a structured process involving Data Warehousing, Data Mining, and Knowledge Management. A Data Warehouse is a large, centralized repository of integrated data from various operational sources within an organization. Its purpose is to support business intelligence and decision-making activities, rather than day-to-day operations. Data in a warehouse is typically historical, non-volatile (meaning it is not updated in real-time), and structured for query and analysis. Once this vast repository is established, Data Mining can be applied. Data Mining is the process of discovering meaningful patterns, trends, and associations in large datasets using techniques from statistics, machine learning, and artificial intelligence. It is about extracting hidden, previously unknown, and potentially useful information. The insights derived from data mining—such as customer segmentation profiles or fraud detection patterns—are transformed into Knowledge. Knowledge Management is the broader organizational process of creating, sharing, using, and managing the knowledge and information of an organization. This process is crucial for Managing Technological Change, as it ensures that the valuable insights generated by new technologies like data mining are not lost but are instead embedded into the organization's processes, culture, and strategic decision-making, fostering a culture of continuous learning and adaptation.
Based on the above source, attempt the following five questions.

296. What is the primary function of a Data Warehouse?
(A) To process real-time, day-to-day operational transactions.
(B) To store unstructured data like emails and social media posts exclusively.
(C) To mine data for hidden patterns and trends automatically.
(D) To act as a centralized repository of integrated historical data for analysis.

297. Data Mining is best described as the process of:
(A) Discovering meaningful, hidden patterns in large datasets.
(B) Building the technical infrastructure for a

NODIA

(B) Transparency and Predictability.
(C) Most-Favoured-Nation and National Treatment.
(D) Dispute Settlement and Binding Commitments.

Direction : Please read the following source carefully.

The successful execution of international trade hinges on a complex web of procedures and documentation designed to mitigate risks and ensure the smooth transfer of goods and payments between parties in different countries. Central to this process are key documents that serve as proof of contract, ownership, and compliance. The Bill of Lading, issued by a carrier, is a critical document that acts as a receipt for the goods, a contract of carriage, and a document of title, meaning the holder of the bill has the right to claim the goods. Another vital instrument is the Letter of Credit (L/C), a commitment by a bank on behalf of the buyer to pay the exporter a specified sum of money, provided the exporter presents a set of stipulated documents proving shipment has been made. This significantly reduces the payment risk for the exporter. These procedures are further governed by national Export-Import (EXIM) Policies, which are a set of guidelines and regulations established by a country's government to control and facilitate its foreign trade. EXIM policies may include measures such as export incentives, import duties (tariffs), quotas, and licensing requirements, all of which are designed to achieve national economic objectives, such as protecting domestic industries or managing the balance of payments.

Based on the above source, attempt the following five questions.

276. In international trade, what are the three primary functions of a Bill of Lading?
(A) A receipt for goods, a contract of carriage, and a document of title.
(B) A payment guarantee, an insurance policy, and a marketing brochure.
(C) A customs declaration, a tax receipt, and an import license.
(D) A buyer's instruction, a seller's invoice, and a bank statement.

277. What is the main purpose of a Letter of Credit (L/C) in an international trade transaction?
(A) To act as a contract for the physical transportation of the goods.
(B) To certify the quality and origin of the goods being shipped.
(C) To function as a loan from the exporter's bank to the importer.
(D) To provide the exporter with a bank's commitment to pay, reducing payment risk.

278. A country's EXIM Policy is best described as:
(A) An international treaty signed by multiple countries to fix trade tariffs.
(B) A government's set of regulations and guidelines to manage its foreign trade.
(C) A set of universal documentation standards created by the WTO.
(D) A document issued by a shipping company detailing the route of a cargo vessel.

279. According to the text, the holder of the Bill of Lading possesses the:
(A) Obligation to insure the goods.
(B) Responsibility to pay customs duty.
(C) Right to claim the goods.
(D) Guarantee of product quality.

280. Which of the following would be considered a measure within a country's EXIM Policy?
(A) A private company's decision on which supplier to use.
(B) The terms of a specific Letter of Credit between two companies.
(C) The freight charges set by an international shipping line.
(D) The establishment of an import duty on foreign cars.

Direction : Please read the following source carefully.

The post-World War II global economic architecture is significantly influenced by two key international financial institutions: the International Monetary Fund (IMF) and the World Bank. While often mentioned together, their roles and mandates are distinct. The International Monetary Fund was established primarily to ensure the stability of the international monetary system. Its core functions include surveillance of the global economy and the economies of its member countries, lending to

Click Here to Buy book on Amazon

ANSWERS

1. (B) Globalization
Globalization describes the increasing interdependence and integration of national economies through international trade, investment, and capital flows. This process involves the merging of separate markets into a single global marketplace and the sourcing of production from various locations worldwide. Advancements in technology and the reduction of trade barriers are primary catalysts for this integration, allowing businesses and consumers to interact across various geographic distances.

2. (A) Increased government intervention and protectionist policies
The globalization era is primarily driven by the decline in barriers to the free flow of goods, services, and capital. Significant technological changes in communication and transportation facilitate this integration, alongside the expansion of multinational corporations. Conversely, protectionist policies and increased government intervention serve to restrict international trade and isolate national markets, thereby acting as barriers rather than drivers of the global integration process.

3. (A) Both Statement I and Statement II are correct.
The globalization of markets involves merging historically distinct national markets into one vast global marketplace where consumer tastes often converge. Simultaneously, the globalization of production allows firms to source goods and services globally to exploit national differences in the cost and quality of production factors like labor and energy. Both statements accurately reflect the core dimensions of how businesses operate in an integrated world economy.

4. (D) Risk of failure due to misinterpreting local customs, values, and cultural ethics.
Cultural risk involves the potential for business failure arising from a lack of understanding regarding the customs, social norms, and ethical values of a foreign market. Misinterpreting these nuances can lead to ineffective marketing strategies, poor employee relations, and damaged brand reputation. Successful international management requires cross-cultural literacy to navigate diverse social environments effectively and ensure that business practices align with local expectations.

5. (A) Both A and R are true and R is the correct explanation of A.
The theory of absolute advantage posits that nations should specialize in producing goods they can create more efficiently than any other country. A country holds this advantage when it requires fewer resources to produce a unit of output. By specializing in these specific products and trading for others, global productivity increases, and all participating nations benefit. This principle forms a fundamental basis for international trade.

6. (B) Heckscher-Ohlin Theory
The Heckscher-Ohlin theory explains international trade patterns through differences in national factor endowments. It suggests that countries will export goods that intensively use their abundant and inexpensive resources, such as land, labor, or capital. Simultaneously, they will import products that require resources that are locally scarce. This model provides a framework for understanding how resource availability determines a nation's comparative advantage in production.

7. (D) Specializing in goods produced most efficiently and trading for others, even with an absolute advantage in all.
David Ricardo's theory of comparative advantage argues that trade is beneficial even if one country is more efficient at producing all goods. By focusing on products with the lowest opportunity cost, nations can maximize overall economic welfare. This principle encourages countries to specialize in their relative strengths. Through trade, all participating nations can consume more than they could in isolation, promoting global efficiency.

Downloaded from www.pdf.tube

hidden patterns, correlations, and useful insights. By analyzing diverse information from social media, transactions, and website clicks, organizations can predict future customer behavior and identify purchasing trends. This sophisticated analysis goes beyond routine reporting, enabling firms to make data-driven strategic decisions that improve competitiveness and enhance customer experiences in a complex digital environment.

40. (B) P-3, Q-2, R-4, S-1
Artificial Intelligence includes various specialized fields that simulate human intelligence. Natural language processing focuses on a computer's ability to understand human speech. Expert systems emulate the decision-making processes of human professionals in specific domains. Machine learning involves algorithms that improve through experience, while computer vision enables machines to interpret visual information from images. These technologies collectively enhance organizational capabilities, allowing for more advanced data processing and automated decision-making across diverse business functions.

41. (C) To create a central repository of integrated data from one or more disparate sources for reporting and data analysis.
A Data Warehouse serves as a centralized repository designed to store integrated data from various disparate sources across an organization. Its primary purpose is to facilitate reporting and data analysis by providing a historical and subject-oriented view of information. Unlike operational databases optimized for daily transactions, a data warehouse is structured to support management decision-making, allowing for complex queries and the discovery of long-term trends and patterns.

42. (A) Discovering patterns, correlations, and anomalies within large data sets to predict outcomes.
Data Mining is the sophisticated process of discovering hidden patterns, correlations, and anomalies within large datasets to extract valuable insights and predict future outcomes. It utilizes methods from statistics, machine learning, and database systems to transform raw data into actionable knowledge. Businesses use these techniques to improve customer relationship management, detect fraudulent activities, and optimize various operational processes by identifying trends that are not apparent through traditional analysis.

NODIA

43. (D) The process of creating, sharing, using, and managing the knowledge and information of an organization.
Knowledge Management is a strategic process that involves creating, sharing, using, and managing the collective knowledge and information within an organization. It aims to maximize the value of both explicit and tacit knowledge assets to improve decision-making and foster innovation. By encouraging the exchange of expertise and documenting best practices, organizations can avoid redundant efforts and ensure that critical information is accessible to those who need it.

44. (B) Knowledge that is intuitive, experiential, and difficult to formalize or communicate.
Tacit knowledge refers to the intuitive and experiential understanding that individuals possess, which is often difficult to formalize, write down, or communicate to others. This type of knowledge includes personal insights, skills, and specialized expertise gained through practice and experience. Unlike explicit knowledge, which is easily documented in manuals or reports, tacit knowledge is deeply rooted in an individual's context and is typically shared through personal interaction and observation.

45. (A) P and R only
A data warehouse is characterized as a subject-oriented, integrated, and non-volatile repository of information designed for analysis. Knowledge Management aims to capture and convert tacit knowledge into explicit forms to benefit the organization. While data mining is used to explore warehouses, its primary strength lies in finding hidden patterns and correlations. Data warehousing and data mining are closely related concepts, as the former provides the structured data environment for the latter.

46. (D) Involving employees in the change process through education, communication, and participation.
Effective management of technological change requires addressing the human element to

16. (B) Most-Favored-Nation (MFN)
The Most-Favored-Nation principle is a cornerstone of the WTO's non-discrimination policy. It requires that any special favor or trade concession granted by a member nation to one trading partner must be extended to all other WTO members immediately and unconditionally. This ensures that all member countries are treated equally in terms of trade barriers and market access, preventing discriminatory practices in international commerce.

17. (B) Providing direct loans to countries for development projects
The World Trade Organization functions primarily as a forum for trade negotiations and a mechanism for settling international trade disputes. It also administers trade agreements and monitors the trade policies of member nations. However, it does not provide direct loans for development projects; that role is fulfilled by international financial institutions like the World Bank. The WTO focuses on regulating trade rules rather than providing financial assistance.

18. (A) Imported and locally-produced goods must be treated equally after entering the domestic market.
The National Treatment principle under the WTO framework ensures that imported goods are treated no less favorably than locally-produced goods once they have entered the domestic market. This prevents countries from using internal taxes or regulations to discriminate against foreign products. This principle, along with the Most-Favored-Nation rule, forms the basis of the non-discrimination policy that facilitates fair competition in international trade.

19. (C) Countries that lose a case are automatically expelled from the WTO.
The WTO's dispute settlement mechanism provides a structured forum for resolving trade conflicts through negotiation or formal rulings. While decisions made by the mechanism are binding on member countries, losing a case does not result in automatic expulsion. Instead, the non-compliant country is expected to bring its policies into alignment with WTO rules. Failure to do so may lead to authorized retaliatory trade measures.

20. (A) P and Q only
The World Trade Organization aims to promote free trade by lowering barriers and establishing transparent rules for international commerce. The Agreement on Trade-Related Investment Measures specifically applies to measures that affect trade in goods, such as local content requirements. WTO rules extend beyond manufactured goods to include services and intellectual property. Furthermore, the WTO was created as a successor to GATT, not as a replacement for the IMF.

21. (C) A carrier-issued document serving as a receipt, carriage contract, and title.
A Bill of Lading is a critical document in international trade issued by a carrier to the shipper. It serves three primary functions: as a receipt for the goods shipped, as a contract for the transportation of those goods, and as a document of title that allows the holder to claim ownership. This document is essential for facilitating secure transactions and is often required for bank payments.

22. (B) A bank guarantee ensuring the exporter is paid upon presenting specified documents.
A Letter of Credit is a financial document issued by a bank that acts as a guarantee for the payment of goods in international trade. It ensures that the exporter will receive payment once they present the required shipping and commercial documents to the bank. This mechanism reduces risk for both parties, as the bank mediates the transaction, ensuring payment is made only when terms are met.

23. (D) Certificate of Origin
A Certificate of Origin is an official document used in international trade to certify the country where the goods were manufactured. This information is crucial for customs authorities to determine the appropriate tariff rates and whether the goods are eligible for preferential treatment under trade agreements. It helps verify that the products comply with the rules of origin required for specific import regulations and trade benefits.

Click Here to Buy book on Amazon

8. (A) Trade in Goods (Visible Trade)
The Balance of Payments is a systematic record of all economic transactions between residents of a country and the rest of the world. The current account specifically tracks the flow of goods, services, and income. Trade in tangible goods, known as visible trade, is a primary component of this account. Other items like foreign direct investment and commercial borrowings are categorized under the financial account.

9. (C) When autonomous payments are greater than autonomous receipts.
A deficit in the Balance of Payments occurs when the total autonomous payments made by a country to foreigners exceed the total autonomous receipts from abroad. Autonomous transactions are those undertaken for economic reasons, such as profit or utility, independent of the balance of payments state. When these outflows surpass inflows, a deficit arises, which must be settled through accommodating transactions or by drawing down reserves.

10. (A) Q, S, R, P
The international product life-cycle theory describes how production locations shift as a product matures. Initially, a new product is introduced and manufactured in the innovating home country. As the market expands, the country begins exporting to other nations. Production later starts in other advanced countries, and eventually, the product becomes standardized, leading manufacturing to move to developing countries where costs are lower.

11. (D) FDI implies a long-term interest with significant influence over the foreign enterprise.
Foreign Direct Investment is distinguished by a long-term strategic interest and significant management control over a foreign enterprise. Unlike portfolio investment, which involves purchasing stocks and bonds for short-term financial gains without operational influence, direct investment signifies a lasting commitment to the host country's economy. This type of capital flow often includes the transfer of technology, management expertise, and other vital organizational resources.

12. (B) The transfer of capital, technology, and management skills.
Inward Foreign Direct Investment provides several primary benefits to a host country, most notably the transfer of capital, technology, and management skills. These resources can enhance the host nation's productive capacity and foster economic development. Additionally, such investments often lead to job creation and improved infrastructure. By introducing advanced technologies and practices, foreign firms can also stimulate local industries through positive spillover effects.

13. (A) Both Statement I and Statement II are correct.
Foreign Direct Investment involves various economic trade-offs for both host and home countries. A potential cost for host nations is the "crowding out" effect, where powerful foreign firms drive domestic competitors out of the market. Conversely, home countries may face a loss of jobs when production facilities are moved overseas to lower-cost locations. Both statements accurately highlight significant concerns associated with global investment flows.

14. (D) Horizontal FDI
Horizontal Foreign Direct Investment occurs when a company invests in a foreign country to produce the same products or services that it produces in its home market. This strategy is often used to enter new geographical markets while leveraging existing expertise and brand recognition. By establishing local operations, firms can avoid trade barriers and reduce transportation costs, allowing them to compete more effectively with domestic companies.

15. (A) P-3, Q-4, R-2, S-1
The World Trade Organization administers several key agreements focused on different aspects of international trade. GATS governs trade in services, while GATT focuses on trade in goods. TRIPS establishes standards for trade-related aspects of intellectual property rights, and TRIMs addresses investment measures that affect trade in goods. Mapping these agreements correctly is essential for understanding the multilateral legal framework that regulates global commercial interactions.

NODIA

complex environmental analysis beyond routine operations.

32. (B) A system providing tactical-level information to help monitor and control performance.
A Management Information System is designed to provide tactical-level information that helps managers monitor and control organizational performance. It typically summarizes data from transaction processing systems into routine reports, such as monthly sales summaries or budget comparisons. By presenting structured information, an MIS enables middle managers to evaluate progress against goals and make informed decisions regarding the allocation of resources and operational improvements.

33. (B) MIS produces summary reports, while DSS offers interactive data analysis tools.
While both systems support management, they differ in their primary functions and characteristics. Management Information Systems generally provide structured, routine summary reports based on internal data to help monitor performance. In contrast, Decision Support Systems offer interactive tools and models that allow managers to perform deeper, non-routine analysis. A DSS is specifically designed to assist with complex, semi-structured problems by exploring various scenarios and alternative outcomes.

34. (A) Decision Support System (DSS)
A system that allows managers to ask "what-if" questions and explore various scenarios, such as the impact of changing an advertising budget, is classified as a Decision Support System. These systems provide interactive analytical tools and models that help users process data and evaluate the potential consequences of different decisions. This capability is essential for addressing complex, semi-structured problems where routine reports from an MIS would be insufficient.

35. (C) Designed to help with unstructured, non-routine decisions.
Management Information Systems are typically characterized by providing structured reports in fixed formats based primarily on internal organizational data. They are designed to support tactical-level decision-making and monitor routine performance. However, they are generally not equipped to handle unstructured, non-routine decisions that require complex analysis and "what-if" modeling. Such tasks are instead the primary focus of Decision Support Systems, which offer more flexible and interactive analytical tools.

36. (D) The simulation of human intelligence processes by machines, especially computer systems.
Artificial Intelligence refers to the broad field of computer science dedicated to creating systems capable of performing tasks that typically require human intelligence. This includes processes such as learning, reasoning, problem-solving, and understanding natural language. By simulating these human-like cognitive functions, AI applications can analyze complex data, recognize patterns, and make decisions across various domains, ranging from medical diagnosis to financial forecasting and automated customer service.

37. (C) Volume, Velocity, and Variety
Big Data is commonly defined by the "Three Vs": Volume, Velocity, and Variety. Volume refers to the massive amount of data generated every second. Velocity describes the high speed at which this data is produced, collected, and processed. Variety represents the different forms of data, including structured, semi-structured, and unstructured formats like text and video. These three characteristics collectively distinguish Big Data from traditional datasets and require specialized processing tools.

38. (C) Statement I is correct, but Statement II is incorrect.
Machine Learning is a significant subset of Artificial Intelligence that involves training algorithms to learn from data and make predictions without being explicitly programmed for every task. Conversely, the concept of Big Data extends beyond just the sheer amount of information. It also encompasses the complexity of the data and the high speed at which it is generated and processed, reflecting the concepts of variety and velocity.

39. (D) Big Data analytics
Big Data analytics involves the process of examining large and varied datasets to uncover

Downloaded from www.pdf.tube

24. (A) The regulations, procedures, and incentives related to the export and import of goods and services.
An EXIM policy serves as a national framework that outlines the various regulations, procedures, and incentives designed to govern and promote a country's external trade. It provides guidelines for both exporters and importers, aiming to boost foreign exchange earnings while managing the inflow of essential goods. The policy is regularly updated to align with changing global economic conditions and the country's specific development goals.

25. (B) Q and R only
In international trade documentation, a Pro-forma Invoice is a preliminary bill sent to buyers to outline costs before shipment. A "Clean" Bill of Lading signifies that the carrier received the goods in apparently good condition without visible damage. Air Waybills are generally non-negotiable documents, and the EXIM policy is formulated by national governments rather than the WTO. Inspection certificates are typically issued by specialized agencies rather than banks.

26. (C) Statement I is correct, but Statement II is incorrect.
The International Monetary Fund was established to promote international monetary cooperation and ensure exchange rate stability among its member nations. In contrast, the World Bank's primary mission is to provide long-term loans and technical assistance for development projects aimed at poverty reduction. While the IMF addresses short-term balance of payments crises, the World Bank focuses on sustainable economic growth through the financing of specific infrastructure and social programs.

27. (D) International Development Association (IDA)
The International Development Association is the member of the World Bank Group known as the "soft loan" window. It provides interest-free loans, known as credits, and grants to the world's poorest countries to support essential health, education, and infrastructure projects. These financial arrangements often have long repayment periods and are designed to foster economic development in nations that lack access to traditional commercial borrowing markets.

28. (B) To act as a lender of last resort to countries with balance of payments difficulties.
The primary role of the International Monetary Fund is to maintain the stability of the international monetary system. It achieves this by monitoring member economies and providing short-term financial assistance to countries experiencing balance of payments difficulties. By acting as a lender of last resort, the IMF helps prevent economic crises from spreading and encourages countries to implement necessary policy adjustments to restore financial health.

NODIA

29. (C) The specific economic policies a borrowing country must agree to implement in return for a loan.
Conditionality refers to the specific economic and structural policies that a borrowing country must commit to implementing as a requirement for receiving financial assistance from the IMF. These conditions are designed to address the underlying causes of the country's economic difficulties and ensure that the loan can be repaid. Policies often include measures such as reducing fiscal deficits, controlling inflation, and implementing market-oriented reforms.

30. (A) Both A and R are true and R is the correct explanation of A.
The International Bank for Reconstruction and Development is a key component of the World Bank Group that focuses on middle-income and creditworthy low-income countries. Its main objective is to promote sustainable, long-term economic development and poverty reduction through the financing of specific projects. By providing loans and technical expertise, the IBRD helps these nations improve infrastructure, enhance social services, and foster a stable economic environment for growth.

31. (A) Using a system to track daily inventory levels and automatically reorder stock.
Operational control involves managing routine, day-to-day activities within an organization to ensure efficiency and accuracy. Using computers to track daily inventory levels and automatically trigger reorders is a classic example of this level of management. This automation helps maintain optimal stock levels and reduces human error in repetitive tasks. It contrasts with strategic decisions, which involve long-term planning and

minimize resistance. Involving employees in the process through education, transparent communication, and active participation is the most successful strategy. By helping staff understand the benefits and providing opportunities for input, organizations can build trust and reduce uncertainty. This proactive approach fosters a more receptive environment, ensuring that the transition to new systems is smoother and more widely accepted.

47. (A) An innovation creating a new market that eventually displaces leading firms.
Disruptive technology refers to an innovation that creates a completely new market and value network, eventually displacing established market-leading firms and products. These technologies often start in niche segments with lower performance along traditional dimensions but offer unique benefits like simplicity or lower cost. Over time, they improve rapidly and challenge dominant incumbents. Managing such change is difficult for established firms because it often requires a fundamental shift in business models.

48. (A) Both Statement I and Statement II are correct.
Managing technological change involves ensuring the organization possesses the necessary skills and competencies to utilize new tools effectively. It also requires a strategic alignment where the technology strategy supports the overall business objectives. Without proper training and strategic focus, even the most advanced systems may fail to deliver value. Successful transitions depend on integrating technical updates with organizational goals and human capabilities to achieve a sustainable competitive advantage.

49. (D) Continuously scanning the technological environment for opportunities and threats.
A proactive approach to managing technological change involves continuously scanning the external environment to identify emerging opportunities and potential threats. By staying ahead of technological trends, organizations can adopt innovations early and gain a competitive edge. This forward-looking strategy contrasts with reactive approaches, such as waiting for competitors to act or for existing systems to become obsolete. Proactive firms invest in research and foster a culture of constant learning and adaptation.

50. (A) P and R only
In the globalization era, businesses must adapt their products and marketing strategies to suit diverse local tastes and preferences across different markets. Additionally, navigating various legal and regulatory environments remains a critical challenge for global firms. Contrary to the idea of simplification, global supply chains actually become more complex due to logistical and regulatory diversity. Currency fluctuations also significantly impact international profitability, and firms must remain vigilant of both global and domestic competitors.

51. (B) Countries can benefit from trade even if they do not differ in resources or technology, due to economies of scale and network effects.
New Trade Theory suggests that countries can gain from international trade even without differences in factor endowments or technology. The primary drivers are economies of scale and network effects, which allow firms in certain countries to dominate the global market by being first movers. This theory highlights how large-scale production reduces unit costs, enabling specialization in specific industries. It also provides a rationale for strategic government intervention to support domestic firms.

52. (C) Transactions involving asset sales and purchases and capital transfers.
The Capital Account in the Balance of Payments records transactions that involve the transfer of ownership of fixed assets and the acquisition or disposal of non-produced, non-financial assets. It also includes capital transfers such as debt forgiveness. This account is distinct from the current account, which tracks trade in goods and services, and the financial account, which records investments like FDI. Understanding these distinctions is vital for analyzing a nation's international economic position.

53. (C) Adverse effects on competition if a dominant foreign firm drives out local players.
While inward Foreign Direct Investment brings technology and jobs, it can also impose significant costs on the host country. A major concern is the potential for adverse effects on competition

Click Here to Buy book on Amazon

68. (D) A car manufacturer from country A acquires a tire manufacturing plant in country B.
Backward vertical Foreign Direct Investment occurs when a firm invests in a foreign operation that provides inputs for its domestic production processes. For example, a car manufacturer acquiring a tire manufacturing plant overseas is a classic case of backward integration. This strategy allows the company to secure its supply chain, control quality, and potentially reduce production costs. It contrasts with forward integration, where a firm invests in the distribution or sale of its products.

69. (D) Commitments not to increase a tariff rate above a predetermined level, known as the 'bound' level.
Binding tariffs under the WTO framework represent a legal commitment by member nations not to increase their tariff rates above a specified level, known as the "bound" rate. This principle provides a high degree of predictability and stability in international trade, as businesses can rely on the fact that import duties will not be unexpectedly raised. While countries can charge lower rates, they are discouraged from exceeding their bound commitments to maintain fair market access.

70. (A) P, Q, and R only
Foreign Direct Investment offers several benefits to the home country, including the inward flow of foreign earnings and the "reverse resource-transfer effect," where skills learned abroad are brought back home. However, it also presents costs, such as the potential loss of jobs when production facilities are moved overseas. An immediate improvement in the balance of payments is not a cost; rather, the initial capital outflow is a cost that may negatively impact the BOP in the short term.

71. (D) The currency is allowed to float, but the central bank occasionally intervenes to influence the rate.
A "Dirty Float" or managed float exchange rate regime is one where the currency's value is primarily determined by the market forces of supply and demand. However, the central bank occasionally intervenes in the foreign exchange market to influence the rate and maintain economic stability. This approach allows for flexibility while preventing excessive volatility that could harm trade or the national economy. It sits between a pure floating system and a fixed exchange rate.

72. (A) Reimbursing customs duties paid on inputs used in the manufacture of exported goods.
The "Duty Drawback" scheme is an incentive provided in an EXIM policy that involves the reimbursement of customs duties paid on imported raw materials or components used in the manufacture of exported products. This measure is intended to make a country's exports more competitive in the global market by reducing the overall cost of production for exporters. It encourages domestic manufacturing for export by neutralizing the tax burden associated with necessary international inputs.

73. (D) It is forward-looking and helps in analyzing alternative scenarios.
A key characteristic of the information produced by a Decision Support System is its forward-looking nature, which assists managers in analyzing alternative scenarios and evaluating the potential impact of different choices. Unlike routine summary reports, DSS output is often interactive and flexible, allowing users to perform "what-if" analysis. This capability is essential for addressing complex, semi-structured problems where understanding future outcomes and exploring various possibilities are critical for effective strategic and tactical decision-making.

74. (D) Natural Language Processing (NLP)
A chatbot that can understand and respond to customer queries in plain English is a direct application of Natural Language Processing. NLP is a branch of Artificial Intelligence that focuses on the interaction between computers and human language, enabling machines to understand, interpret, and generate text or speech. This technology allows for more intuitive human-computer communication, improving customer service efficiency and providing personalized interactions by processing the nuances of human language in real-time.

75. (B) P, Q, R, and S only
Managing a business in a globalized era presents multiple challenges, including navigating diverse political and legal systems, managing ethical

NODIA

national factor endowments. This progression reflects the evolving economic understanding of global trade drivers and resource efficiency.

61. (D) A formal request to the carrier for the transportation of specified goods.
A Shipping Note or a similar request document serves as a formal instruction to the carrier for the transportation of specified goods. It details the nature of the cargo, the destination, and other logistical requirements needed for the shipping process. This document initiates the movement of goods in international trade and ensures that the carrier has all the necessary information to handle the consignment safely and efficiently according to the shipper's needs.

62. (D) Government Subsidies
Porter's Diamond model identifies four primary attributes that shape a nation's competitive advantage: factor endowments, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry. While the model acknowledges the role of government, it is considered an external influence rather than one of the four core attributes of the diamond itself. The diamond framework helps explain why certain nations achieve international success in specific industries by looking at their internal economic environment.

63. (D) Statement I is incorrect, but Statement II is correct.
In the Balance of Payments, unilateral transfers like foreign aid and gifts are actually recorded in the current account, not the capital account. Furthermore, when including the official reserves account, the sum of the current and capital/financial accounts must always be zero, reflecting the accounting identity that total credits must equal total debits. This balance ensures that all international transactions are fully accounted for within the nation's comprehensive economic record.

64. (D) To offer political risk insurance (guarantees) to investors and lenders.
The Multilateral Investment Guarantee Agency is a member of the World Bank Group whose primary mission is to promote foreign direct investment in developing countries. It achieves this by offering political risk insurance, or guarantees, to private investors and lenders against non-commercial risks. These risks include currency inconvertibility, expropriation, war, and civil disturbance. By reducing these uncertainties, MIGA encourages capital flows into emerging markets, supporting sustainable economic growth and development.

65. (A) P-4, Q-3, R-2, S-1
Different information systems serve specific user groups within an organization. Transaction processing systems are used by operational personnel to handle daily activities. Management Information Systems provide routine reports for middle managers to monitor performance. Decision Support Systems are utilized by professional staff and middle managers for complex, semi-structured analysis. Finally, Executive Information Systems are tailored for senior managers to support strategic decision-making. Matching these systems to their primary users ensures efficient information flow.

66. (A) The structure and function of the human brain.
A neural network is a specific model in Artificial Intelligence that is inspired by the biological structure and functioning of the human brain. It consists of interconnected layers of artificial neurons that process information and learn to recognize complex patterns through experience. These systems are particularly effective for tasks such as image recognition, speech processing, and language translation. By mimicking cognitive processes, neural networks enable machines to perform sophisticated tasks that traditionally required human intervention.

67. (D) To facilitate the capture, storage, retrieval, and sharing of organizational knowledge.
Knowledge Management Systems are designed to facilitate the systematic capture, storage, retrieval, and sharing of an organization's collective knowledge assets. These systems aim to leverage both explicit and tacit knowledge to improve decision-making, foster innovation, and enhance overall productivity. By providing tools for collaboration and a central repository for best practices, a KMS helps employees access the expertise they need, preventing the loss of critical information and promoting a culture of learning.

NODIA

if powerful foreign corporations drive smaller local firms out of the market. This "crowding out" effect can reduce domestic entrepreneurial activity and lead to a dependency on foreign entities. Managing these impacts requires careful regulatory oversight to ensure a balanced economic environment.

54. (A) Prohibiting investment measures that have trade-distorting effects.
The WTO's Agreement on Trade-Related Investment Measures is primarily concerned with prohibiting investment-related policies that can distort international trade in goods. Examples include local content requirements, which force foreign investors to use a certain amount of domestic inputs, and trade balancing requirements. By eliminating such restrictive measures, TRIMs aims to promote a more open and fair global trading environment where investment decisions are based on economic efficiency rather than government mandates.

55. (A) Both A and R are true and R is the correct explanation of A.
The International Monetary Fund conducts regular surveillance of the economic and financial policies of its member countries to ensure global stability. This monitoring process involves identifying potential risks and advising governments on necessary policy adjustments to prevent future crises. By providing this oversight, the IMF helps maintain international monetary cooperation and fosters an environment where economic imbalances can be addressed early, thereby protecting the overall health of the world economy.

56. (D) Executive Information System (EIS)
An Executive Information System is designed to support the strategic, non-routine decision-making needs of senior management. It provides easy access to both internal organizational data and external information, such as market trends or competitor activity. These systems often feature graphical interfaces and "drill-down" capabilities, allowing executives to quickly identify critical issues and explore detailed data. An EIS helps leaders visualize the company's overall performance and align it with long-term strategic goals.

57. (C) The uncertainty and trustworthiness of the data.
Veracity is a critical dimension of Big Data that refers to the uncertainty, reliability, and trustworthiness of the information being collected. Because Big Data often comes from diverse and uncontrolled sources like social media or sensors, its quality can vary significantly. Managing veracity involves identifying and correcting inaccuracies to ensure that the insights derived from data analysis are valid and actionable. High veracity is essential for making sound business and strategic decisions.

58. (B) Externalization
In the SECI model of knowledge creation, externalization is the process of converting tacit knowledge into explicit knowledge. This involves articulating personal insights, experiences, and intuitive skills into formal concepts, manuals, or documents that can be easily shared within the organization. By making individual expertise tangible, externalization allows for the widespread dissemination of best practices and fosters collaborative learning. This step is crucial for building a collective knowledge base that benefits all employees.

59. (D) The required changes in organizational structure and job roles.
Managing the integration of new technology requires careful attention to the "people" factor, specifically regarding changes in organizational structure and job roles. Technological updates often redefine how tasks are performed, requiring employees to learn new skills and adapt to different workflows. If these human and structural impacts are not managed through communication and training, resistance may occur. Successful implementation depends on aligning the technical capabilities of the system with the organizational environment.

60. (A) R, S, Q, P
The chronological development of international trade theories began with mercantilism in the 16th century, followed by Adam Smith's theory of absolute advantage in 1776. David Ricardo introduced the theory of comparative advantage in the early 19th century, refining the benefits of specialization. Finally, the Heckscher-Ohlin theory emerged in the 20th century, focusing on

Downloaded from www.pdf.tube

standards across different cultures, and dealing with currency exchange rate risks. Additionally, ensuring consistent product quality across a global supply chain is vital for success. Ignoring local competitors in foreign markets is not a correct approach; rather, understanding local competition is essential. Successful global managers must address these various complexities to maintain a competitive advantage.

76. (C) Transaction Processing Systems (TPS)
Data Mining is the systematic process of discovering patterns, correlations, and anomalies within large datasets using methods from machine learning, statistics, and database systems. It allows organizations to transform raw data into actionable insights, helping them predict future trends and make informed decisions. This practice is widely used in various fields, such as marketing, finance, and fraud detection, to identify relationships that are not easily apparent through traditional data analysis methods.

77. (B) Creating a skunkworks
Creating a "skunkworks" involves establishing a separate, autonomous unit within an organization to develop and champion new technologies or innovations. This group operates outside the normal bureaucratic constraints and hierarchy, allowing for greater creativity, speed, and focus. This strategy is often used to manage radical or disruptive technological change, as it protects the innovative project from the resistance or inertia of the main organization, fostering an environment where experimental ideas can flourish.

78. (A) The finding that the US, a capital-abundant country, exported labor-intensive goods and imported capital-intensive goods.
The Leontief Paradox refers to the unexpected empirical finding by Wassily Leontief that the United States, which was considered the most capital-abundant country, exported labor-intensive goods and imported capital-intensive goods. This observation contradicted the Heckscher-Ohlin theory, which predicted that countries would export products using their abundant factors. The paradox led to further refinements in trade theory, emphasizing that factor endowments include more than just simple capital and labor, such as human capital and technology.

79. (C) Furthering economic development by encouraging the growth of private enterprise in developing countries.
The International Finance Corporation is a member of the World Bank Group focused exclusively on the private sector. Its primary mission is to promote economic development by encouraging the growth of private enterprise in developing countries. The IFC provides investment, advisory, and asset-management services to foster sustainable private sector projects. By mobilizing capital and providing technical expertise, it helps create jobs, generate tax revenue, and improve the overall business environment in emerging markets.

80. (A) Both A and R are true and R is the correct explanation of A.
The TRIPS agreement under the WTO established minimum international standards for the protection of intellectual property rights, including patents, copyrights, and trademarks. Before this agreement, the wide variation in national IP laws created significant tension and uncertainty in international trade. By harmonizing these rules, TRIPS provides a more predictable legal environment for innovators and businesses, ensuring that their creative works and inventions are protected consistently across all member nations of the organization.

81. (B) A preliminary invoice sent to the buyer before shipment, outlining goods, prices, and terms.
A Pro-forma Invoice is a preliminary document sent by an exporter to a buyer before the actual shipment or delivery of goods. it outlines the specific items, prices, and terms of the transaction. This document is often used to help the buyer secure import licenses or arrange for financing through their bank. While it resembles a final commercial invoice, it is not a demand for payment but rather a formal quotation for the trade.

82. (B) An algorithm that learns from data that has been manually labeled with the correct outcomes.
Supervised learning is a fundamental concept in Artificial Intelligence where an algorithm is trained using a dataset that has been manually labeled with correct outcomes. The system learns to identify relationships between the input data and the provided labels, allowing it to make

NODIA

analytical model building, allowing systems to learn from data. Big Data is defined by the "Three Vs"—Volume, Velocity, and Variety—and poses significant analytical challenges. Modern AI systems are increasingly capable of processing unstructured data, making both concepts highly relevant for advanced business and data analysis.

126. (D) An automated transaction processing engine.
A typical Decision Support System includes a database for data storage, a model base for quantitative analysis, and a user interface for interaction. However, it does not include an automated transaction processing engine, as its primary goal is to support complex, semi-structured decision-making rather than processing daily, routine transactions. That function is instead the focus of Transaction Processing Systems. By providing analytical tools and scenario modeling, a DSS helps managers explore data and evaluate alternatives for strategic and tactical planning.

127. (A) Avoid "reinventing the wheel" by making existing knowledge accessible.
A primary goal of implementing a Knowledge Management strategy is to prevent an organization from "reinventing the wheel" by ensuring that existing knowledge and best practices are easily accessible to all employees. By capturing and sharing expertise, firms can avoid redundant efforts, improve efficiency, and make better-informed decisions. This approach leverages the collective intelligence of the organization to foster innovation and ensure that critical information is not lost when individuals leave, thereby maintaining a strong and consistent competitive advantage.

128. (A) A sustainable competitive advantage.
From a strategic perspective, managing technological change effectively can provide a firm with a sustainable competitive advantage. By successfully integrating new technologies, organizations can improve operational efficiency, create innovative products, and better respond to market needs. While technical updates involve risks and significant investment, those who lead in technological adoption and organizational adaptation can differentiate themselves from competitors. This strategic focus ensures long-term growth and resilience in a rapidly evolving business environment where technical leadership is a key success factor.

129. (A) A series of pre-defined commercial terms that clarify the tasks, costs, and risks associated with the transportation and delivery of goods.
Incoterms are a series of internationally recognized commercial terms published by the International Chamber of Commerce. They clearly define the specific tasks, costs, and risks associated with the transportation and delivery of goods between buyers and sellers in international trade. By standardizing these terms, Incoterms help prevent misunderstandings and legal disputes regarding where the seller's responsibility ends and the buyer's begins. They are an essential tool for managing the logistical and financial aspects of global commerce.

130. (A) Both A and R are true and R is the correct explanation of A.
Globalization can contribute to increased income inequality within nations, particularly in advanced economies. This often occurs because firms move manufacturing and other unskilled labor-intensive processes to countries with lower wage rates to reduce costs. As a result, the demand for and wages of unskilled workers in developed nations may decline, while the benefits of global integration often accrue more to highly skilled workers and capital owners. This dynamic creates social and economic challenges that require careful domestic policy responses.

131. (B) Establishes a multilateral framework of principles and rules for trade in services.
The General Agreement on Trade in Services is a WTO agreement that establishes a comprehensive multilateral framework for regulating international trade in services. It applies to a wide range of sectors, including banking, telecommunications, and professional services. GATS aims to promote liberalisation by ensuring non-discrimination and transparency in how governments regulate service industries. Unlike agreements on goods, GATS provides flexibility for member nations to make commitments in specific sectors while maintaining their right to regulate services for public policy objectives.

Click Here to Buy book on Amazon

and technical troubleshooting, where they can process information consistently and accurately, supporting human decision-makers in specialized fields.

90. (C) P-3, Q-4, R-2, S-1
Data management and knowledge creation involve distinct but related concepts. A data warehouse is a subject-oriented, integrated repository of historical information. Data mining is the process of discovering hidden patterns within large datasets. Knowledge is categorized as either explicit, which is codified and documented, or tacit, which is personal and experience-based. Understanding these characteristics allows organizations to effectively manage their information and intellectual assets to improve decision-making and foster innovation across all business levels.

91. (C) An automated transaction processing engine.
A Decision Support System consists of several key components, including a database for relevant information, a model base for quantitative analysis, and a user-friendly interface. While it uses data from various sources, it does not typically include an automated transaction processing engine, which is the core function of a Transaction Processing System. Instead, a DSS focuses on helping managers analyze data and explore scenarios to support complex, semi-structured decision-making rather than processing routine daily transactions.

92. (B) Globalization
The "demonstration effect" is a sociocultural phenomenon associated with globalization where local consumers are influenced by the consumption patterns and lifestyles of people in other, often more developed, countries. This effect can lead to a convergence of consumer tastes and the adoption of global brands, potentially impacting local cultures and traditional habits. It highlights how the increased flow of information and media across borders can shape societal expectations and consumer demand on a global scale.

93. (B) By encouraging a net inflow of capital through FDI or FPI.
A current account deficit occurs when a country's total imports and payments abroad exceed its total exports and receipts. To finance this deficit, a nation must encourage a net inflow of capital, typically through Foreign Direct Investment or Foreign Portfolio Investment. These capital inflows provide the necessary foreign exchange to cover the gap in the current account. Alternatively, a country can draw down its official reserves, but attracting foreign investment is generally a more sustainable long-term solution.

94. (B) To provide conciliation and arbitration services for international investment disputes.
The International Centre for Settlement of Investment Disputes is a member of the World Bank Group that provides specialized facilities for the conciliation and arbitration of international investment disputes between governments and foreign investors. By offering an impartial forum for resolving conflicts, ICSID helps foster a stable and predictable environment for foreign direct investment. This mechanism reduces the risks associated with international business and encourages capital flows into developing nations by ensuring that disputes are handled fairly.

NODIA

95. (C) P, Q, and S only
Inward Foreign Direct Investment offers several significant benefits to host countries, including the transfer of new capital, technology, and management techniques. It can also enhance market competition, which may lead to lower prices and better choices for consumers. Furthermore, FDI is a major driver of job creation. However, it is not true that profits are always reinvested; foreign firms often repatriate a portion of their earnings to their home country, which can impact the host's balance of payments.

96. (B) The issuing bank without the consent of the other parties.
A revocable Letter of Credit is a financial document that can be amended or cancelled by the issuing bank at any time without the prior consent of the exporter or other parties involved. This lack of permanence offers significantly less security to the exporter compared to an irrevocable letter of credit. Because the payment guarantee can be withdrawn without notice, revocable letters of credit are rarely used in modern international trade transactions, where certainty of payment is critical.

97. (C) Transaction Processing Systems (TPS)
Transaction Processing Systems are designed to capture and process the day-to-day business activities and transactions of an organization. Common examples include payroll processing, order entry, and accounts receivable management. These systems handle high volumes of routine, repetitive data and are essential for maintaining the basic operational efficiency of a firm. By automating these foundational tasks, a TPS provides the raw data that is subsequently used by other management information systems for monitoring and decision-making.

98. (C) The speed at which data is generated, collected, and processed.
Velocity is one of the "Three Vs" of Big Data and refers to the high speed at which data is generated, collected, and processed in real-time. In the digital age, information flows from various sources like sensors, social media, and transaction logs at an unprecedented pace. Organizations must be able to handle this rapid influx of data to gain timely insights and respond quickly to market changes. High velocity requires sophisticated infrastructure and real-time analytical tools.

99. (B) Training employees and redesigning workflow processes to align with the new system.
Effectively managing technological change involves more than just selecting advanced software; it requires a strong focus on the human and organizational aspects of the transition. When replacing a manual system with new technology, organizations must prioritize training employees and redesigning workflows to ensure alignment. By involving staff and providing the necessary skills, firms can reduce resistance and maximize the benefits of the new system. This holistic approach is essential for successful implementation and long-term operational improvement.

100. (B) Q, R, and S only
Several international financial institutions play distinct roles in the global economy. The World Bank's IBRD provides loans to middle-income countries for development, while the IDA offers soft loans to the poorest nations. MIGA promotes investment by providing political risk insurance. However, the IMF's primary role is maintaining monetary stability rather than long-term project financing. Furthermore, while the IMF and World Bank were created at Bretton Woods, the WTO was established much later as the successor to GATT.

101. (B) Strategic Trade Policy
Strategic Trade Policy is based on New Trade Theory and argues that government intervention, through subsidies and protectionist measures, can help domestic firms achieve economies of scale and gain a competitive advantage in certain global industries. By supporting specific "national champions," governments aim to capture a larger share of the world market and enhance national welfare. This approach suggests that in industries with significant barriers to entry, proactive state support can be more effective than purely market-driven competition.

102. (C) Export of software services.
In the current account of the Balance of Payments, a credit entry represents any transaction that leads to a receipt of foreign exchange from abroad. The export of software services is a classic example, as it involves providing a service to foreigners in exchange for payment. Conversely, imports of goods or domestic residents investing in foreign assets would be recorded as debit entries, as they represent an outflow of currency from the home country to the rest of the world.

103. (A) Both Statement I and Statement II are correct.
Foreign Direct Investment can occur through different entry modes. Greenfield investment involves a parent company starting a completely new venture abroad by building new facilities from the ground up. In contrast, mergers and acquisitions involve buying or combining with an existing foreign business. Both strategies allow firms to establish a physical presence in an international market, with greenfield investments offering more control and acquisitions providing faster entry and access to existing local assets and networks.

104. (A) A requirement that a foreign investor must export a certain percentage of its production.
The WTO's Agreement on Trade-Related Investment Measures prohibits policies that can distort international trade in goods. A requirement that a foreign investor must export a specific percentage of its production, known as

Downloaded from www.pdf.tube

an export performance requirement, is a typical violation of TRIMs. Such measures interfere with market-driven trade flows and are considered discriminatory. In contrast, general taxes, environmental regulations, and safety standards are typically permitted as long as they are applied equally to both domestic and foreign firms.

105. (A) Both A and R are true and R is the correct explanation of A.
Decision Support Systems are specifically designed to assist managers in addressing semi-structured and unstructured problems where routine reports are insufficient. They provide interactive analytical tools and models that allow users to explore various "what-if" scenarios and evaluate the potential impact of different choices. By enabling this flexible and deep analysis of data, a DSS goes beyond the capabilities of a standard Management Information System, providing the insights needed for complex strategic and tactical decision-making.

106. (A) The many different types of data, including structured, semi-structured, and unstructured data.
Variety is a fundamental characteristic of Big Data that refers to the many different types and formats of information being generated. This includes structured data from traditional databases, semi-structured data like emails, and unstructured data such as images, videos, and social media posts. The challenge for organizations is to integrate and analyze these diverse data sources to gain a comprehensive understanding of their business environment. Handling such variety requires advanced processing technologies and flexible analytical frameworks.

107. (C) Knowledge Management
The SECI model is a central concept in Knowledge Management that describes how knowledge is created and shared within an organization through four processes: Socialization, Externalization, Combination, and Internalization. This model emphasizes the dynamic interaction between tacit and explicit knowledge, showing how individual expertise can be converted into organizational knowledge and then back into individual skills. By understanding these transitions, firms can better manage their intellectual assets to foster innovation, improve learning, and enhance overall operational performance.

108. (B) Fostering a culture that is receptive to innovation and learning.
A critical organizational aspect of managing technological change is fostering a culture that is receptive to innovation and continuous learning. Such a culture encourages employees to embrace new ideas, experiment with technical tools, and adapt to changing work processes. By promoting openness and providing support for skill development, organizations can reduce the fear associated with technical transitions and build a more agile workforce. This cultural foundation is essential for successfully integrating new systems and maintaining long-term competitiveness.

NODIA

109. (C) A written order from the drawer to the drawee to pay a specific sum at a future time.
A Bill of Exchange is a formal financial document used in international trade where one party (the drawer) orders another party (the drawee) to pay a specific sum of money to a third party (the payee) at a predetermined future time. It functions as a flexible instrument for credit and payment, allowing businesses to manage their cash flows across borders. This document is often used in conjunction with letters of credit to facilitate secure and structured international transactions.

110. (A) R, Q, P, S
The multilateral regulation of trade has evolved through several key events. The General Agreement on Tariffs and Trade was signed in 1947. Decades later, the Uruguay Round of negotiations began in 1986, which eventually led to the establishment of the World Trade Organization in 1995. More recently, the Doha Development Round was launched in 2001. This chronological sequence reflects the ongoing global efforts to lower trade barriers and create a more structured and transparent international trading system.

111. (C) Reading a manual and learning how to operate a new machine.
In the SECI model of knowledge management, internalization is the process where individuals convert explicit knowledge into tacit knowledge by learning and practicing. For example, reading an instruction manual and gaining

firms may find their business models obsolete and their market position overtaken by more agile newcomers.

139. (B) A second bank adds its own guarantee, providing an additional layer of security for the exporter.
A confirmed Letter of Credit provides an extra layer of security for an exporter by involving a second bank, typically in the exporter's home country, which adds its own guarantee to that of the issuing bank. This means the exporter has two separate payment commitments, reducing the risk of non-payment if the issuing bank or the importer's country faces financial or political difficulties. Confirmed letters of credit are particularly valuable in international trade transactions involving higher levels of uncertainty or risk.

140. (B) P-3, Q-4, R-1, S-2
International organizations perform distinct functions within the global economic framework. The IMF provides short-term loans for balance of payments stability, while the IBRD offers long-term development loans to middle-income countries. MIGA encourages investment by providing political risk insurance, and the WTO regulates and promotes multilateral trade in goods and services. Understanding these specific roles is essential for analyzing how these institutions collectively support economic growth, financial stability, and fair trade practices across the diverse nations of the world.

141. (A) Factor-Proportions Theory
The Heckscher-Ohlin theory is frequently referred to as the Factor-Proportions Theory because it argues that international trade patterns are determined by the relative proportions of productive factors, such as land, labor, and capital, that a country possesses. According to this model, a nation will have a comparative advantage in goods that intensively use its most abundant and inexpensive factors. This theoretical framework provides a systematic way to explain why different countries specialize in specific industries based on their resource endowments.

142. (B) It helps authorities determine if goods are eligible for preferential tariff rates under agreements.
A Certificate of Origin is a vital document in international trade that certifies the country where the goods were produced. Its primary importance lies in helping customs authorities determine whether the shipment is eligible for preferential tariff rates under free trade agreements or subject to specific trade restrictions. By verifying the source of the products, it ensures compliance with national import regulations and trade policies, facilitating the correct application of duties and supporting the smooth flow of goods across international borders.

143. (A) capital, technology, and management resources
The "resource-transfer effect" of Foreign Direct Investment refers to the significant transfer of capital, technology, and management resources from the home country to the host country. These inputs can enhance the productive capacity of the host nation, stimulate economic growth, and improve the efficiency of local industries. By introducing advanced technical knowledge and sophisticated management practices, FDI helps developing economies modernize their business environment and compete more effectively in the global marketplace, providing a vital boost to their overall development.

144. (D) Transfer of technology
Under the General Agreement on Trade in Services, international trade is classified into four distinct modes of supply: cross-border supply, consumption abroad, commercial presence, and the presence of natural persons. While the transfer of technology is a common outcome of international business and investment, it is not considered one of the formal modes of supply defined in the GATS framework. These four modes cover the various ways services can be delivered from one country to another, ensuring a comprehensive multilateral regulatory approach.

145. (B) P, Q, and S only
A data warehouse is a central repository containing current and historical information organized by subject area to support management decision-making. It is characterized as being integrated and "non-volatile," meaning that data

Click Here to Buy book on Amazon

is a reduction in the home nation's financial account. Other potential costs include the loss of domestic jobs if production is moved abroad and the possible erosion of a country's technological edge through international transfer.

119. (B) Decision Support System (DSS)
When a manager uses a spreadsheet to perform "what-if" analysis on pricing strategies and revenue, they are utilizing a basic form of a Decision Support System. Such tools allow users to create mathematical models and explore different scenarios to evaluate the potential impact of their decisions. By providing this interactive and analytical capability, the system helps in addressing semi-structured problems where understanding the consequences of various alternatives is critical for effective planning and management beyond routine reporting.

120. (C) P, R, and S only
The WTO's trading system is built on several key principles, including non-discrimination through Most-Favored-Nation and National Treatment rules. It also emphasizes predictability by binding tariff rates and ensuring transparency in trade policies. Furthermore, the WTO provides a multilateral mechanism for settling disputes between member nations. In contrast, the WTO aims to reduce protectionism rather than promote it, as its primary goal is to foster a more open and fair global environment for international commerce.

121. (D) The IMF and the IBRD (World Bank)
The Bretton Woods conference of 1944 was a landmark event that led to the creation of the International Monetary Fund and the International Bank for Reconstruction and Development, which is the core of the World Bank Group. These institutions were designed to rebuild the post-war global economy and maintain international monetary stability. While the IMF focuses on short-term monetary cooperation, the World Bank provides long-term financing for development projects, collectively forming the foundation of the modern international financial architecture.

122. (A) The ability of a nation-state to govern itself without external interference.
Sovereignty concerns in the context of globalization refer to the fear that the increasing power of international organizations and global markets may undermine the ability of individual nation-states to govern themselves and make independent policy decisions. As countries integrate more deeply, they often agree to international rules that can limit their domestic autonomy. This debate highlights the tension between the benefits of global cooperation and the desire to maintain national control over economic, social, and political affairs.

123. (C) New, developing domestic industries need temporary protection from foreign competition until they are mature and can compete internationally.
The "infant industry" argument is a classic rationale for protectionism which suggests that new, developing domestic industries require temporary protection from foreign competition through tariffs or subsidies. The goal is to allow these industries to gain experience, achieve economies of scale, and mature to a point where they can compete effectively in the global market. While theoretically sound, the challenge lies in determining which industries deserve protection and ensuring that the support is eventually removed to avoid long-term inefficiencies.

124. (B) Transactions undertaken for their own sake, such as for profit or personal satisfaction.
Autonomous transactions in the Balance of Payments are those undertaken for their own sake, driven by economic motives such as profit maximization or personal utility, rather than to balance the BOP itself. These include trade in goods and services, and long-term investments like FDI. They are often referred to as "above the line" transactions. A surplus or deficit in these autonomous movements determines whether a country has a BOP imbalance, which must then be addressed by accommodating transactions.

125. (A) P and R only
Artificial Intelligence aims to create computer systems capable of performing tasks that traditionally require human intelligence, such as reasoning and problem-solving. Machine learning is a vital branch of AI that automates

Downloaded from www.pdf.tube

accurate predictions or classifications on new, unseen data. This method is commonly used for tasks such as spam detection, image classification, and price forecasting, where historical examples of the desired output are available.

83. (C) Knowledge Management
Knowledge Management is the systematic process of capturing, developing, sharing, and effectively using the collective knowledge and information within an organization. It aims to maximize the value of both explicit and tacit knowledge assets to enhance decision-making and innovation. By fostering a culture of collaboration and documenting best practices, organizations can ensure that critical expertise is preserved and accessible to all employees, leading to improved operational efficiency and a stronger competitive position.

84. (B) Tends to maintain a rate of improvement, giving customers more or better in the attributes they already value.
Sustaining technology refers to an innovation that improves the performance of existing products along dimensions that are already valued by mainstream customers. These technologies help established firms maintain their market position by providing better quality, higher efficiency, or additional features. Unlike disruptive technologies that create new markets, sustaining innovations focus on the needs of current high-end customers and steady incremental improvements. Managing this type of change is essential for long-term competitiveness in a mature industry.

85. (B) Financial Account
The Financial Account in the Balance of Payments records all transactions related to the change of ownership of a country's foreign financial assets and liabilities. This includes components such as Foreign Direct Investment, portfolio investment, and other types of capital flows. By tracking these movements, the financial account provides insights into how a nation's current account surplus or deficit is being financed. It is a critical part of analyzing a country's overall international financial position and its investment relationships.

NODIA

86. (B) Strive to achieve a trade surplus to accumulate gold and silver.
Mercantilism was an economic theory dominant in the 16th to 18th centuries which advocated that a country should maximize its exports and minimize its imports to achieve a trade surplus. The primary goal was to accumulate national wealth in the form of gold and silver. This theory viewed trade as a zero-sum game, where one nation's gain was seen as another's loss, and encouraged government intervention through tariffs and subsidies to protect domestic industries and promote exports.

87. (A) Both Statement I and Statement II are correct.
Foreign Direct Investment is categorized into different types based on the relationship between the investor and the foreign operation. Horizontal FDI occurs when a firm invests in the same industry abroad as it operates in at home. Vertical FDI involves investing in an industry abroad that either provides inputs for the firm's domestic operations (backward integration) or sells the firm's outputs (forward integration). Both strategies are used by companies to expand their global reach and optimize supply chains.

88. (B) Establish a fairer and more market-oriented agricultural trading system.
The WTO's Agreement on Agriculture aims to reform global trade in agricultural products by establishing a fairer and more market-oriented system. It focuses on reducing trade-distorting domestic subsidies, lowering import barriers, and eliminating export subsidies. The agreement recognizes the importance of non-trade concerns, such as food security and environmental protection, while encouraging member nations to move towards more transparent and competitive agricultural policies that benefit both producers and consumers worldwide.

89. (C) Mimic the reasoning process of a human expert in a specific domain.
An Expert System is a branch of Artificial Intelligence designed to mimic the reasoning and decision-making capabilities of a human expert in a specific, narrow domain. It uses a knowledge base of facts and rules provided by specialists to solve complex problems and provide advice. These systems are particularly useful for tasks such as medical diagnosis, financial planning,

132. (D) It is primarily motivated by short-term exchange rate fluctuations.
Foreign Direct Investment is a long-term strategic investment characterized by a significant degree of influence over a foreign enterprise. It can take several forms, such as greenfield investments or cross-border acquisitions. Unlike portfolio investment, which may be driven by short-term financial gains or currency fluctuations, FDI is motivated by the desire to establish a lasting presence in a foreign market, access resources, or improve production efficiency. This commitment involves a deep integration into the host country's economic and business environment.

133. (B) Settle any deficit or surplus in the autonomous transactions.
Accommodating transactions in the Balance of Payments are those undertaken by the central bank or government specifically to settle a deficit or surplus resulting from autonomous transactions. These "below the line" movements include changes in official foreign exchange reserves and borrowings from international financial institutions like the IMF. Their primary purpose is to bring the BOP back into equilibrium. Unlike autonomous transactions, which are driven by economic motives, accommodating transactions are reactive measures taken to maintain a nation's external financial stability.

134. (B) A system that provides managers with routine summary reports on the organization's performance.
A Management Information System is designed to provide managers with routine summary reports and exception reports based on the organization's internal data. Its primary goal is to help in monitoring and controlling performance at the tactical level. By presenting structured information on key metrics such as sales, budgets, and production, an MIS enables middle managers to evaluate progress against goals and identify areas that require attention, thereby supporting efficient and informed operational management within the firm.

135. (C) Tries to find patterns and structures in data that is not labeled.
Unsupervised learning is a type of machine learning in AI where an algorithm is tasked with finding hidden patterns and structures in a dataset that does not have pre-existing labels or outcomes. The system explores the data on its own to identify similarities and group related data points, often through techniques like clustering. This method is particularly useful for tasks such as customer segmentation, anomaly detection, and discovering new relationships within large, complex datasets where the desired output is not known in advance.

136. (B) Detecting and correcting or removing corrupt or inaccurate records from a dataset.
Data Cleansing, also known as scrubbing, is a critical process in data warehousing that involves identifying and correcting or removing corrupt, inaccurate, or incomplete records from a dataset. This ensures that the information stored in the warehouse is of high quality and reliable for subsequent analysis and reporting. High-quality data is essential for making accurate business decisions and uncovering valid patterns. Without proper cleansing, the "garbage in, garbage out" principle can lead to flawed insights and poor management outcomes.

137. (C) A company's written standard operating procedure (SOP) manual.
Explicit knowledge refers to information that is easily written down, articulated, and shared with others. A company's written standard operating procedure manual is a classic example, as it documents specific tasks and rules in a formal, tangible format. This type of knowledge can be readily stored in databases, distributed across an organization, and used for training. In contrast, tacit knowledge is intuitive and experiential, making it much harder to formalize or communicate without direct personal interaction and shared experience.

138. (C) Established firms may be hesitant to invest in it because it initially serves a small, niche market.
Managing disruptive technological change is challenging for established firms because such innovations often start in small, niche markets with lower profit margins than existing products. Dominant companies, focused on serving their high-end customers and maintaining current success, may be hesitant to invest in these emerging technologies until it is too late. By the time the disruptive innovation improves and enters the mainstream market, the established

Click Here to Buy book on Amazon

the skill to operate a new machine represents internalization. As the person applies the documented information to their work, the knowledge becomes part of their personal expertise and intuitive understanding. This step is essential for translating organizational information into actual human capability and improved performance.

112. (A) Its relevance has been limited by globalization and the integration of the world economy.
The original Product Life-Cycle theory suggested that products were developed in advanced nations and slowly moved to lower-cost countries as they matured. However, its relevance has declined in the modern era of globalization. With globally integrated supply chains and rapid technological diffusion, new products are often introduced in multiple markets simultaneously and produced in various locations from the start. This increased connectivity has made the traditional staged model less applicable to many contemporary high-tech and consumer goods industries.

113. (B) An L/C that cannot be amended or cancelled without the agreement of all involved parties.
An irrevocable Letter of Credit provides a high level of security for an exporter because it cannot be amended or cancelled without the explicit agreement of all involved parties, including the exporter, the importer, and the banks. This permanence guarantees that the exporter will receive payment as long as they meet the specified shipping and documentation terms. By providing this certain commitment, irrevocable letters of credit reduce the risk of non-payment and facilitate trust in international trade transactions.

114. (C) A basket of major international currencies.
The Special Drawing Right is an international reserve asset created by the IMF to supplement its member countries' official reserves. Its value is not based on gold but on a weighted basket of major international currencies, including the US dollar, euro, Chinese renminbi, Japanese yen, and British pound sterling. The SDR serves as a unit of account for the IMF and can be exchanged among members for freely usable currencies, providing liquidity and stability to the global financial system.

115. (A) P-3, Q-4, R-1, S-2
International trade involves various barriers and incentives designed to regulate the flow of goods. Ad valorem tariffs are taxes levied as a proportion of a good's value, while quotas set direct limits on the quantity of imports. Subsidies are government payments that assist domestic producers in competing globally. Additionally, local content requirements mandate that a certain fraction of a product be produced within the country. Understanding these measures is essential for analyzing national trade policies and their impact on global markets.

116. (D) Is incorrect, but Statement II is correct.
The core purpose of a data warehouse is to support analytical processing and decision-making, rather than routine transaction processing. Furthermore, data in a warehouse is typically non-volatile, meaning it is not updated or changed in real-time as daily transactions occur. Instead, it is a stable repository of integrated and historical information that provides managers with a consistent view of organizational performance over time. This stability is essential for performing long-term trend analysis and complex data modeling.

117. (B) Its use of neural networks with many layers (deep neural networks).
Deep learning is a specialized subfield of machine learning that utilizes artificial neural networks with many layers, often referred to as deep neural networks. These complex structures allow the system to automatically learn and extract increasingly sophisticated features from large amounts of raw data. Deep learning is particularly powerful for tasks such as image and speech recognition, as it can process unstructured information and achieve human-like accuracy. This technology has become a major driver behind many contemporary advancements in Artificial Intelligence.

118. (C) A balance of payments deficit from the initial capital outflow.
For a home country, Foreign Direct Investment can involve significant initial costs, most notably a deficit in the balance of payments due to the substantial capital outflow required to finance the foreign operation. While this may be offset later by repatriated earnings, the immediate impact

NODIA

is not updated in real-time as transactions occur. Instead, it provides a stable environment for complex queries and analysis. While it is useful for analytical processing, it is not designed for high-speed online transaction processing, which is the primary function of operational databases that handle daily business activities.

146. (A) Both Statement I and Statement II are correct.
Artificial Intelligence is an expansive field of computer science dedicated to building systems capable of simulating human intelligence, including specialized subfields like machine learning and deep learning. Simultaneously, Big Data analytics involves the process of examining large and varied datasets to uncover hidden patterns, unknown correlations, and other valuable insights. Both concepts are highly interconnected, as AI and machine learning techniques are often essential tools used in Big Data analytics to extract meaningful information from complex and massive datasets.

147. (A) Management Information System (MIS) with forecasting capabilities
A manager focused on forecasting sales using historical data and market trends would find a Management Information System with forecasting capabilities most useful. Such systems summarize internal data and provide routine reports that can be used to identify patterns and project future performance. While simpler than a full Decision Support System, an MIS with integrated analytical tools helps tactical managers plan and monitor performance by translating past trends into actionable future insights, thereby supporting more effective resource allocation and strategic planning.

148. (A) Knowledge Management
Knowledge Management is the process of learning from experience and applying that learning to new situations to improve organizational performance. It involves capturing individual expertise, documenting best practices, and sharing this knowledge across the firm. By fostering a culture of continuous learning and providing tools for collaboration, organizations can avoid repeating past mistakes and build on successful strategies. This approach ensures that valuable insights gained through practice are preserved and utilized to enhance decision-making and innovation throughout the entire company.

149. (A) The period of rapid adoption by the majority of users.
In the "S-curve" model of technology diffusion, the steep middle part of the 'S' represents the period of rapid adoption by the majority of potential users. This phase occurs after the initial development and early adoption stages when the technology's benefits become widely recognized and it enters the mainstream market. During this time, the number of users increases exponentially until the market begins to saturate, leading to the final leveling off of the curve. Understanding this cycle helps firms plan for growth and competition.

150. (A) P, Q, R, and S only
Host countries face several potential costs and risks when accepting Foreign Direct Investment. These include adverse effects on domestic competition if foreign firms dominate the market, and potential negative impacts on the balance of payments due to profit repatriation. Additionally, there are concerns regarding the loss of national sovereignty and the possible transfer of outdated or inappropriate technology. A decrease in domestic unemployment is actually a benefit of FDI, rather than a cost, as it involves job creation within the host nation.

151. (B) New Trade Theory
New Trade Theory provides a strong economic rationale for government intervention and strategic trade policy. It suggests that in industries with significant economies of scale and high barriers to entry, proactive government support through subsidies or protectionism can help domestic firms become first movers and achieve global dominance. By helping national firms capture a larger share of the world market, governments aim to enhance national welfare. This perspective contrasts with traditional theories that emphasize free trade based on natural resource endowments or productivity differences.

152. (A) BOP Deficit
In the Balance of Payments, a deficit occurs when a country's total debits, which represent payments made to the rest of the world, exceed

Downloaded from www.pdf.tube

organizations can make data-driven decisions that enhance customer satisfaction and increase sales. This capability transforms raw data into a strategic asset for optimizing business operations and improving overall competitiveness.

206. (A) Selling goods in a foreign market at below their costs of production, or below their "fair" market value.
Dumping in international trade occurs when a company sells its products in a foreign market at a price that is lower than its cost of production or its "fair" market value in its home country. This practice is often used to gain market share or drive out local competitors in the host nation. While it can benefit consumers in the short term through lower prices, dumping is considered an unfair trade practice and can lead to the imposition of anti-dumping duties by the host government.

207. (B) Any transaction that leads to a payment of foreign currency.
In the Balance of Payments, a debit entry represents any economic transaction that leads to an outflow or payment of foreign currency to the rest of the world. This includes the import of goods and services, domestic residents investing in foreign assets, or providing financial aid to other nations. By recording these payments, the BOP provides a systematic way to track a country's total international spending. This information is essential for analyzing a nation's financial health and its overall economic relationship with other countries.

208. (C) A merger involves firms combining into a new entity, while an acquisition is one buying another.
Mergers and acquisitions are common forms of Foreign Direct Investment, but they represent different ways of combining businesses. A merger occurs when two or more firms agree to join together to form an entirely new, single entity. In contrast, an acquisition involves one company purchasing a controlling interest in another existing business, which then becomes a subsidiary of the acquirer. Both strategies allow firms to expand their market presence and access new resources, but they involve different legal and organizational structures for integration.

NODIA

209. (A) The creation of the World Trade Organization (WTO).
The Uruguay Round was a landmark set of trade negotiations under the GATT framework that lasted from 1986 to 1994. Its most significant outcome was the creation of the World Trade Organization, which replaced GATT as the permanent international body regulating global trade. The round also led to major agreements on trade in services, intellectual property rights, and agriculture. By establishing the WTO, the Uruguay Round created a more comprehensive and enforceable multilateral trading system for the modern global economy.

210. (A) Q, S, P, R
The World Bank Group was established over several decades to address various developmental needs. The International Bank for Reconstruction and Development was founded first in 1944. This was followed by the International Finance Corporation in 1956 to support the private sector, and the International Development Association in 1960 to help the poorest nations. Finally, the Multilateral Investment Guarantee Agency was created in 1988. This chronological sequence reflects the group's evolving mission to provide comprehensive financial and advisory services for global development.

211. (C) An analyst integrating data from marketing reports and sales forecasts to create a new market analysis document.
In the SECI model, combination is the process of integrating different pieces of explicit knowledge to create new explicit knowledge. An analyst taking information from various marketing reports and sales forecasts to produce a comprehensive market analysis document is a perfect example. By organizing and synthesizing existing data into a new format, the organization builds a more complex and useful knowledge base. This step is essential for making codified information more valuable and accessible for strategic planning and decision-making within the firm.

212. (C) Computer Vision
A system that analyzes medical images, such as X-rays, to identify anomalies is a direct application of computer vision, a specialized branch of Artificial Intelligence. Computer vision enables

159. (A) Reduce uncertainty and fear, and build support for the change.
When managing technological change, transparent and consistent communication is critical to reducing the uncertainty and fear that often accompany organizational transitions. By clearly explaining the reasons for the change and its expected benefits, managers can build trust and gain employee support. This proactive approach helps address concerns early and minimizes the spread of rumors, fostering a more positive and receptive environment. Effective communication ensures that staff feel informed and involved, which is essential for the successful implementation and adoption of new systems.

160. (A) Q, S, R, P
The process of adopting a new technology within a firm typically follows a logical sequence. It begins with an initial investigation and evaluation to determine the technology's potential value. Once a decision to adopt is made, the technology often undergoes pilot testing in a controlled environment to identify any issues. Finally, the firm moves to full-scale implementation and integration into its business processes. This staged approach allows organizations to manage risks and ensure that the new system effectively meets their operational needs.

161. (A) Fixed charge for each unit of a good imported.
A specific tariff is a type of trade barrier where a fixed monetary charge is levied on each physical unit of a good that is imported into a country. For example, a country might charge a set amount for every ton of steel or every barrel of oil. This differs from an ad valorem tariff, which is based on a percentage of the good's value. Specific tariffs are simple to administer and provide a consistent level of protection for domestic producers regardless of price fluctuations.

162. (A) A coffee bean grower acquiring a chain of coffee shops.
Forward integration is a form of vertical Foreign Direct Investment where a firm invests in an international operation that handles the distribution or sale of its products. A coffee bean grower acquiring a chain of coffee shops overseas is an example of this strategy. By moving further along the value chain, the company can gain more control over how its products reach the final consumer, improve brand visibility, and potentially capture a larger share of the total market profit.

163. (A) Both Statement I and Statement II are correct.
The IMF and the World Bank are complementary international financial institutions with distinct primary goals. The IMF focuses on ensuring the stability of the international monetary system by monitoring economies and providing short-term assistance for balance of payments problems. In contrast, the World Bank aims to promote long-term economic development and poverty reduction by financing specific infrastructure and social projects. Both institutions play essential roles in supporting global financial health and sustainable growth for their diverse member nations.

164. (B) Decision Support Systems
In the context of management applications, "what-if" analysis is a core capability of Decision Support Systems. This function allows managers to create mathematical models and explore different scenarios by changing specific variables to see their potential impact on outcomes. For example, a manager might test how a change in production costs affects overall profit. By providing this interactive and analytical tool, a DSS helps in addressing complex, semi-structured problems where understanding the consequences of various alternatives is critical for effective planning.

165. (C) P-4, Q-3, R-2, S-1
Data mining involves several specialized tasks designed to extract meaning from large datasets. Classification involves assigning items to target categories, while clustering groups objects based on their similarities. Association rule mining discovers relationships between variables, such as identifying products frequently bought together in "market basket analysis." Additionally, anomaly detection identifies unusual data points that do not conform to expected patterns. Together, these techniques allow organizations to uncover hidden insights and make more accurate predictions based on complex historical information.

Click Here to Buy book on Amazon

166. (C) Insufficient attention is paid to the human and organizational aspects of change.
A primary reason for the failure of technological change initiatives is that organizations often focus exclusively on the technical implementation while paying insufficient attention to the human and organizational aspects. Successful change requires managing employee resistance, providing adequate training, and ensuring that the new technology aligns with the company's culture and workflows. If staff feel overwhelmed or uninvolved, they may not adopt the new system effectively. A holistic approach that addresses both technology and people is essential for achieving the desired benefits.

167. (B) Received in an apparently good order and condition by the carrier.
A Clean Bill of Lading is an essential document in international trade issued by a carrier to signify that the goods were received in an apparently good order and condition without any visible damage or defects. This document is crucial for the exporter, as it is often a requirement for receiving payment under a letter of credit. It provides assurance to both the buyer and the financing bank that the shipment was handled correctly and met the required quality standards at the start of transit.

168. (B) Product Life-Cycle Theory
The Product Life-Cycle theory, proposed by Raymond Vernon, suggests that as a product matures, both the optimal production location and the source of demand change. Initially, products are developed and produced in high-income countries for local consumers. As the product becomes standardized and the market expands globally, production often moves to lower-cost locations, including developing countries, to exploit labor and resource efficiencies. This dynamic model helps explain how international trade patterns evolve over time as innovations become common global commodities.

169. (B) Most-Favoured-Nation (MFN)
The Most-Favoured-Nation principle is a core WTO rule that prevents member countries from discriminating between their trading partners. It requires that any special favor or trade concession granted to one member must be extended immediately and unconditionally to all other WTO members. This ensuring equal treatment fosters a more stable and non-discriminatory global trading environment. While there are some exceptions, such as for regional trade agreements, the MFN principle remains a fundamental cornerstone of fair and transparent international commerce.

170. (A) P, Q, R, and S
Managing global supply chains involves navigating various complexities, including longer lead times and transportation challenges. Firms must manage inventory across multiple countries with varying demand patterns while also dealing with diverse customs, duties, and trade regulations. Furthermore, currency fluctuations can significantly impact production costs and pricing strategies. Addressing all these factors is essential for maintaining a reliable and efficient global supply chain, requiring sophisticated logistics planning and a deep understanding of the diverse international business environments in which the firm operates.

NODIA

171. (B) A subset of a data warehouse, typically focused on a single subject area or department.
A data mart is a specialized subset of a data warehouse that is typically focused on a single subject area or the specific needs of a particular department, such as sales, finance, or marketing. By providing a more targeted and smaller-scale repository, data marts allow for faster access and easier analysis for specific user groups. They are often used to provide relevant information more efficiently than an enterprise-wide warehouse, helping individual departments make more focused, data-driven decisions within their areas.

172. (B) Promote exports and regulate imports to achieve a favorable balance of trade.
A primary objective of an EXIM policy is to promote a country's exports while regulating its imports to achieve a favorable balance of trade and maximize foreign exchange earnings. The policy outlines various incentives for exporters and establishes rules for the import of essential goods and technologies. By providing a clear regulatory framework and support mechanisms, the government aims to enhance the competitiveness of domestic industries in the global market and ensure that international

trade contributes to the nation's overall economic development goals.

173. (B) Sharing tacit knowledge through observation, imitation, and practice.
In the SECI model of knowledge management, socialization is the process of sharing tacit knowledge through direct interaction, observation, imitation, and practice. It involves individuals learning from each other in an informal setting, such as through apprenticeship or collaborative work. Because tacit knowledge is difficult to formalize, this interpersonal exchange is vital for transferring specialized skills and insights within an organization. Socialization creates a shared experience that allows personal expertise to spread without the need for written documents or formal concepts.

174. (B) Determining the weekly production schedule.
Determining the weekly production schedule is an example of an operational-level decision that can be effectively supported by computer applications. These routine, short-term decisions focus on the efficient execution of day-to-day tasks within an organization. By using systems to manage resources, labor, and time, managers can optimize the production process and ensure that output meets immediate demand. This contrast with strategic decisions, which involve long-term planning and high-level goal setting that affect the entire future direction of the company.

175. (A) Q, R, and S only
Artificial Intelligence is a broad field with many specialized branches. Natural Language Processing allows computers to interact with human language, while expert systems emulate the decision-making of human professionals. Machine learning is a vital branch that enables systems to learn from data without explicit programming. Contrary to misconceptions, AI is not limited to robotics, and modern AI systems are highly capable of learning and improving over time through experience, making them essential tools for sophisticated data analysis and automated decision-making.

176. (B) A data warehouse stores historical data, while an OLTP stores current, real-time data.
A primary difference between a data warehouse and an operational database (OLTP) lies in the type of data they store and their primary use. An OLTP system is designed for high-speed transaction processing and stores current, real-time data to support daily business operations. In contrast, a data warehouse stores integrated, historical information from multiple sources to facilitate long-term reporting and analytical processing. While OLTP is optimized for daily tasks, the data warehouse is structured to help managers identify trends and patterns.

177. (A) The benefits that accrue to the first entrant in a market, such as building a strong brand and creating switching costs.
A first-mover advantage refers to the competitive benefits gained by the first company to enter a specific market or industry. These advantages include the ability to build a strong brand name, secure key resources, and establish switching costs that make it difficult for customers to move to future competitors. By being the first, a firm can also achieve economies of scale earlier and gain a deeper understanding of customer needs, potentially creating a long-term dominant position that is difficult for others to challenge.

178. (B) Capital flows required to balance the BOP.
Accommodating capital flows in the context of the Balance of Payments are the financial movements undertaken by a nation's central bank or government specifically to settle a deficit or surplus resulting from autonomous transactions. These flows are not driven by profit motives but are reactive measures taken to bring the BOP into equilibrium. Examples include changes in official foreign exchange reserves or emergency borrowing. These movements are essential for maintaining a country's external financial stability and managing its international payment obligations.

179. (C) A credit entry in the financial account (as FDI inflow).
When a US-based software company buys a controlling stake in an Indian IT firm, it represents an inflow of foreign capital into India. In India's Balance of Payments, this transaction would be recorded as a credit entry in the financial account, specifically categorized as Foreign Direct Investment. Credit entries reflect any transaction that results in a receipt of foreign exchange. This type of investment signifies a

NODIA

192. (D) A group of people who share a concern or a passion for something they do and learn how to do it better as they interact regularly.
A community of practice is a key concept in Knowledge Management, referring to a group of people who share a common interest or passion for a particular topic and interact regularly to learn how to do it better. These groups facilitate the informal exchange of tacit knowledge and collaborative problem-solving. By providing a platform for members to share experiences and best practices, communities of practice help preserve organizational expertise and foster innovation, ensuring that valuable insights are spread across the firm beyond formal hierarchies.

193. (C) Whether to diversify into a new product line.
Deciding whether to diversify into a new product line is a classic example of a strategic-level decision. Such decisions involve long-term planning, high-level goal setting, and the allocation of significant resources to shape the future direction of the firm. They are typically made by senior management and have a broad impact on the entire organization. In contrast, decisions about weekly production schedules or choosing specific suppliers are considered operational or tactical, as they focus on the efficient execution of existing business activities.

194. (B) Speech Recognition
Speech Recognition is a branch of Artificial Intelligence that focuses on enabling computers to understand and interpret human speech. This technology transforms spoken language into a digital format that can be processed by systems for various applications, such as voice-activated assistants, automated transcription, and customer service chatbots. By allowing for more natural and intuitive human-computer interaction, speech recognition improves accessibility and efficiency. It is a vital part of the broader field of natural language processing, enhancing how people communicate with and control technological devices.

195. (B) Q and R only
Effective management of technological change requires active employee participation and involvement to reduce resistance and build support for the transition. Additionally, it is crucial to align the new technology with the organization's strategic goals to ensure that the investment delivers actual value. Contrary to misconceptions, technological change is not just an IT project; it is a socio-technical process that impacts the entire organization, often requiring changes to culture and structure to be successful and fully integrated into business operations.

196. (A) Current Account
The balance on trade in goods and services is a primary component of the current account in the Balance of Payments. This account records the net flow of receipts and payments related to the export and import of tangible goods and intangible services. It also includes income flows and unilateral transfers. A surplus or deficit in this balance indicates whether a country is a net exporter or importer, providing critical insights into its international competitiveness and overall economic relationship with the rest of the world.

197. (B) Sets a physical limit on the quantity of a good that can be imported.
An import quota is a type of trade restriction where the government sets a specific physical limit on the quantity of a particular good that can be imported into the country during a given period. The goal is often to protect domestic producers by limiting foreign competition and reducing the supply of imported items, which can lead to higher domestic prices. Unlike tariffs, which use taxes to influence trade, quotas directly control volume, making them a powerful tool for managing a nation's trade balance.

198. (D) A firm overpays for a foreign asset because it has less information than the seller.
The adverse selection problem in Foreign Direct Investment occurs when an investing firm overpays for a foreign asset or enters a poor deal because it possesses less information than the seller. This information asymmetry is common in international business, where foreign investors may not fully understand the local market conditions, hidden liabilities, or the true quality of the acquired enterprise. Managing this risk requires thorough due diligence and an understanding of the host country's business environment to ensure that investment decisions are sound.

Downloaded from www.pdf.tube

186. (A) It highlights how economic activity in one country can have negative environmental consequences for the entire world.
The concept of "global commons," such as the atmosphere and oceans, is highly relevant to globalization debates because it illustrates how economic activities in individual countries can have shared environmental consequences for the entire planet. Pollution or resource depletion in one region can affect the global climate and health. This interdependence necessitates international cooperation and the development of multilateral agreements to manage these resources sustainably. It highlights the tension between national economic growth and the collective responsibility to protect the global environment for all humanity.

187. (B) It protects domestic industries from foreign competition.
Free trade is supported by arguments that it allows countries to specialize in producing goods they create most efficiently, leading to increased global productivity. It also benefits consumers by providing a wider variety of products and promoting competition, which can lead to lower prices. However, protecting domestic industries from foreign competition is not an argument for free trade; rather, it is the primary goal of protectionism. Free trade seeks to remove such barriers to encourage a more open and integrated global economy.

188. (A) Account for statistical discrepancies and unrecorded transactions.
Errors and Omissions is a balancing item in the Balance of Payments accounts used to account for statistical discrepancies, timing differences, and unrecorded transactions. Because international economic data is collected from various sources, it is difficult to achieve perfect accuracy. The inclusion of this item ensures that the BOP accounts reflect the accounting identity where total credits must equal total debits. It represents the net effect of all errors and missed information, providing a more complete picture of a nation's overall international financial position.

189. (B) Grants rights to intangible property to another firm (the licensee) for a specified period in return for a royalty fee.
A licensing agreement is a common form of international business where one company, the licensor, grants another firm, the licensee, the rights to use its intangible property, such as patents, trademarks, or technology. This is typically done for a specified period in exchange for a royalty fee. This strategy allows the licensor to enter foreign markets with minimal capital investment and risk, while the licensee gains access to established expertise or brand recognition to grow their own local business operations.

190. (A) P-3, Q-4, R-1, S-2
International trade theories offer different explanations for global commerce patterns. Mercantilism focuses on accumulating wealth through trade surpluses. Absolute advantage emphasizes trade based on superior productivity in specific goods. Comparative advantage highlights the benefits of trade based on relative opportunity costs, even without an absolute advantage. Finally, the Heckscher-Ohlin theory explains trade through national differences in factor endowments like labor and capital. Understanding these distinct concepts is essential for analyzing how resources, productivity, and national goals shape the complex flow of international trade.

191. (A) Both Statement I and Statement II are correct.
Big Data is widely characterized by the "Three Vs": Volume, which refers to the massive amount of data; Variety, representing different data formats; and Velocity, describing the high speed of data generation. Additionally, a fourth "V", Veracity, is often included to represent the trustworthiness and quality of the information. All these characteristics collectively define the unique challenges and opportunities associated with managing and analyzing massive datasets to gain valuable business insights and support complex, data-driven decision-making in the modern digital age.

NODIA

its total credits, which represent receipts from abroad. This imbalance indicates that the nation is spending more in its international transactions than it is earning. A persistent BOP deficit may require the country to draw down its official reserves or borrow from international sources to settle the gap, reflecting a potential need for policy adjustments to restore financial stability.

153. (C) Foreign Direct Investment (FDI)
A Japanese car company establishing a manufacturing plant in India is a classic example of Foreign Direct Investment. This type of investment involves a company from one country creating a physical presence and taking an active management role in a business operation in another nation. Unlike portfolio investment, which involves buying stocks for financial gains without control, FDI represents a long-term strategic commitment to the host country's economy, often involving the transfer of technology, capital, and specialized management expertise.

154. (A) It handles the formal process of settling trade disputes between member governments.
The WTO's Dispute Settlement Body is responsible for managing the formal process of resolving trade conflicts between member governments. It oversees the operation of the Dispute Settlement Understanding, which provides a structured and legalistic framework for addressing complaints regarding violations of WTO agreements. The DSB establishes panels to review cases and adopts their findings, ensuring that trade disputes are settled fairly and based on agreed-upon rules, thereby maintaining the stability and predictability of the international trading system.

155. (A) Both A and R are true and R is the correct explanation of A.
The International Development Association, as part of the World Bank Group, provides "soft loans" to the world's poorest developing countries. These financial arrangements are characterized by very low or zero interest rates and long repayment periods, making them affordable for nations with limited access to commercial markets. The primary goal is to finance essential projects in health, education, and infrastructure that promote long-term development and poverty reduction, helping these countries build the foundation for future sustainable economic growth.

156. (B) Knowledge Work System (KWS)
A Knowledge Work System is an information system specifically designed to support the needs of knowledge workers, such as engineers, scientists, and analysts. These systems help professionals create, integrate, and share new information within the organization. By providing advanced tools like computer-aided design or specialized research databases, a KWS enhances the productivity and creativity of highly skilled employees. This focus on knowledge creation distinguishes it from systems that primarily process routine transactions or provide summary reports for tactical management.

157. (A) Data Mining
An online retailer's recommendation engine is a practical application of data mining. This technology analyzes large datasets of customer behavior, including past purchases and browsing history, to identify patterns and predict future interests. By uncovering these relationships, the system can provide personalized product suggestions to users, improving their shopping experience and increasing sales for the retailer. Data mining enables businesses to transform raw customer data into actionable insights that drive more effective and targeted marketing and sales strategies.

158. (C) An experienced engineer's intuition in diagnosing a machine fault.
Tacit knowledge is intuitive and experiential, often being deeply rooted in an individual's context and personal skills. An experienced engineer's intuition in diagnosing a machine fault is a classic example, as this expertise is gained through years of practice and is difficult to formalize or write down in a manual. This type of knowledge is typically shared through observation, imitation, and direct interaction. In contrast, documents like published papers or project plans represent explicit knowledge that is easily communicated and documented.

Click Here to Buy book on Amazon

199. (A) A country's trade concessions should be matched by concessions from its trading partners. Reciprocity is a fundamental principle of the WTO that implies that a country's commitments to lower trade barriers should be matched by similar concessions from its trading partners. This concept encourages a balanced and mutually beneficial approach to trade liberalisation, where all member nations contribute to opening global markets. By requiring reciprocal actions, the WTO aims to ensure that no single country benefits disproportionately and that all participants have a shared stake in the stability and growth of the international trading system.

200. (B) Q, R, and S only
The International Monetary Fund performs several key functions, including the surveillance of the global financial system and providing technical assistance and training to member nations. Most importantly, it acts as a lender of last resort, offering short-term financial assistance to countries facing balance-of-payments difficulties to restore economic stability. While it works closely with other organizations, its primary focus is on monetary and financial stability rather than long-term infrastructure project financing or the direct regulation of international trade in goods and services.

201. (C) Office Automation System (OAS)
An Office Automation System is specifically designed to improve the productivity of data workers and office staff by automating routine administrative tasks. These systems include tools for word processing, email, scheduling, and document management. By streamlining these everyday activities, an OAS allows employees to handle information more efficiently and collaborate more effectively. This focus on improving individual and group productivity in an office environment distinguishes it from broader systems used for transaction processing, tactical management, or strategic decision-making.

202. (B) A data warehouse
The ETL process, which stands for Extract, Transform, and Load, is fundamental to the functioning of a data warehouse. It involves extracting data from multiple disparate sources, transforming it into a consistent and high-quality format, and then loading it into the warehouse for analytical processing. This systematic approach ensures that the integrated data is reliable and subject-oriented, providing a solid foundation for long-term reporting, trend analysis, and complex data modeling that supports effective management decision-making across the organization.

203. (B) Managing the process of commercializing innovations developed in the institution.
A technology transfer office in a university or research institution is primarily responsible for managing the process of commercializing innovations and intellectual property developed by its faculty and researchers. This involves identifying valuable inventions, securing patents or copyrights, and finding industrial partners to bring the new technologies to market. By facilitating this bridge between academia and industry, the office ensures that research breakthroughs are translated into practical products and services, fostering innovation and contributing to economic growth and societal benefits.

NODIA

204. (B) National differences in the cost and quality of factors of production.
The globalization of production is primarily driven by national differences in the cost and quality of factors of production, such as labor, land, capital, and energy. Firms strategically source their manufacturing and service operations from various international locations to take advantage of these variations. By doing so, they can reduce overall production costs and improve the quality of their products, enhancing their global competitiveness. This strategy allows companies to optimize their supply chains and better serve diverse markets in an integrated world economy.

205. (A) Both A and R are true and R is the correct explanation of A.
Data mining is a powerful tool that helps businesses discover previously unknown and valuable patterns within large datasets. For example, association rule mining can identify specific products that are frequently purchased together, providing insights that lead to more effective marketing strategies and improved store layouts. By uncovering these hidden relationships,

long-term commitment and significant influence over the domestic enterprise, contributing to the country's overall financial account balance.

180. (A) Both A and R are true and R is the correct explanation of A.
Managing technological change effectively is a major organizational challenge that goes beyond technical expertise. This is because such changes often require significant adjustments in organizational structure, company culture, job roles, and employee skills. If these human and structural impacts are not managed properly through communication and training, they can lead to widespread resistance and implementation failure. Successful transition depends on aligning the technical update with the organization's social environment to ensure that the new tools are accepted and used efficiently.

181. (B) Make predictions about unknown future events.
Predictive analytics is a key component of Big Data initiatives that uses historical data, statistical algorithms, and machine learning techniques to make predictions about unknown future events. Unlike descriptive analytics, which focuses on explaining what happened in the past, predictive analytics aims to identify the likelihood of future outcomes. This capability allows organizations to anticipate customer needs, detect potential risks, and optimize operations. By looking ahead, businesses can make more proactive and data-driven strategic decisions to improve their overall competitiveness.

182. (C) Identify and locate the knowledge assets and experts within an organization.
Knowledge mapping is a critical process in Knowledge Management used to identify and locate the various knowledge assets and subject matter experts within an organization. It provides a visual or conceptual guide to who knows what and where specific information is stored. By creating a knowledge map, firms can facilitate faster information retrieval, encourage collaboration, and ensure that critical expertise is accessible to those who need it. This helps prevent the loss of organizational knowledge and supports more efficient problem-solving and innovation.

183. (C) DSS often use data generated by MIS to perform their analyses.
Management Information Systems and Decision Support Systems serve different but complementary roles in an organization. An MIS primarily generates routine summary reports based on internal data to help monitor performance. In contrast, a DSS provides interactive tools and models for deeper, non-routine analysis. Frequently, a DSS will use the data and reports generated by the MIS as a foundation for its analytical models. This relationship allows managers to move from monitoring general performance to exploring specific scenarios and alternative future outcomes.

184. (B) Its stated objective was to lower trade barriers around the world, with a focus on helping developing countries.
The Doha Round of WTO negotiations is known as the "Development Round" because its primary stated objective was to lower trade barriers globally while placing the needs and interests of developing countries at the center of the agenda. The negotiations aimed to improve market access for products from poorer nations and address issues related to agricultural subsidies and intellectual property. This focus reflects the global commitment to ensuring that the multilateral trading system contributes to poverty reduction and sustainable development worldwide.

185. (C) Implementing policies that encourage firms to bring back a portion of their foreign earnings.
A home country can try to limit the costs associated with outward Foreign Direct Investment by implementing policies that encourage domestic firms to bring back, or repatriate, a portion of their foreign earnings. These inflows can help offset the initial capital outflow and benefit the home country's balance of payments. Other measures might include tax incentives for domestic investment or requirements for technology transfer back to the home market. Such policies aim to balance the benefits of global expansion with the need to maintain national economic health.

Downloaded from www.pdf.tube

machines to derive meaningful information from digital images, videos, and other visual inputs. By mimicking the human ability to see and interpret visual data, these systems can perform tasks like object detection and pattern recognition with high precision. This technology is increasingly used in healthcare, manufacturing, and security to enhance diagnostic accuracy and automate visual inspections.

213. (D) Is incorrect, but Statement II is correct.
Managing technological change is not a one-time event that concludes upon installation; rather, it is an ongoing process. Effective management requires continuous evaluation, support, and adaptation to ensure that the intended benefits are fully realized over the long term. Organizations must remain attentive to how the technology is used and be prepared to make adjustments as business needs evolve. This sustained focus on both technical performance and organizational alignment is essential for the successful and lasting integration of any new system.

214. (A) The relocation of a business process from one country to another.
Offshoring is the practice of relocating a business process or department from one country to another, typically to take advantage of lower costs or specialized labor. This can be done by a firm establishing its own foreign subsidiary or by contracting the work to a third-party provider in another nation. While often associated with manufacturing, offshoring increasingly includes services like IT support and customer service. It is a key strategy for global firms looking to optimize their operations and improve cost-efficiency.

215. (A) P-4, Q-2, R-3, S-1
Information systems serve distinct purposes within an organization. Management Information Systems provide routine reports for tactical management, while Decision Support Systems offer interactive "what-if" analysis for semi-structured problems. Transaction Processing Systems handle high-volume routine business events, and Artificial Intelligence emulates human-like intelligence for complex tasks. Matching these systems to their specific roles ensures that managers and employees at all levels have the appropriate tools to monitor performance, analyze data, and perform daily activities efficiently in a modern business environment.

216. (A) The outward flow of profits from the foreign subsidiary, which benefits the home country's balance of payments.
A key benefit of Foreign Direct Investment for the home country is the eventual inward flow of profits from the foreign subsidiary. These repatriated earnings can significantly benefit the home nation's balance of payments over time, offsetting the initial capital outflow. Additionally, FDI can create opportunities for home country firms to gain exposure to new markets and learn valuable skills. This inflow of financial resources and knowledge contributes to the long-term economic growth and global competitiveness of the home country's businesses and economy.

217. (B) The presence of foreign firms with superior technology and management practices can boost the productivity of local firms.
The spillover or demonstration effect is a major potential benefit of Foreign Direct Investment where the presence of foreign companies with advanced technology and management practices inspires and assists local firms in improving their own productivity. This happens as domestic companies observe and imitate foreign techniques or as employees move between firms, carrying specialized knowledge with them. Such positive externalities can modernize the host country's entire industrial sector, fostering innovation and enhancing the overall competitiveness of the local business environment.

NODIA

218. (A) The import of capital goods at a reduced or zero customs duty, subject to an export obligation.
The Export Promotion Capital Goods scheme is an incentive in an EXIM policy that allows for the import of capital goods at a significantly reduced or zero customs duty. To qualify, the importer must commit to a specific export obligation, typically a multiple of the duty saved, to be fulfilled within a set period. This measure aims to modernize domestic manufacturing by making high-quality machinery and technology more affordable, thereby enhancing the export potential and global competitiveness of a country's industries.

277. (D) To provide the exporter with a bank's commitment to pay, reducing payment risk.
A letter of credit acts as a financial guarantee issued by a bank on behalf of an importer. It promises the exporter that payment will be made once specific shipping documents are presented. This mechanism bridges the trust gap between parties in different countries, significantly reducing the risk of non-payment for the seller while ensuring the buyer receives the goods.

278. (B) A government's set of regulations and guidelines to manage its foreign trade.
A country's export-import policy outlines the official framework for conducting international trade. It encompasses various measures such as tariffs, quotas, and incentives designed to achieve specific national economic goals. These policies help the government regulate the flow of goods, protect domestic industries, and manage the balance of payments, providing a clear roadmap for businesses engaged in foreign global commerce.

279. (C) Right to claim the goods.
In the context of international logistics, the bill of lading serves as a document of title. This means that possession of the original document grants the holder legal ownership of the specified cargo during transit. Consequently, only the person or entity holding the bill is authorized to take delivery of the items from the carrier at the final port.

280. (D) The establishment of an import duty on foreign cars.
Governmental regulations, such as imposing tariffs or import duties on specific products, are core components of a national export-import strategy. These measures are implemented to control the volume of imports, generate revenue, or support local manufacturers. Unlike private commercial decisions or shipping fees, these duties represent official state interventions aimed at shaping the country's overall trade balance and economic health.

281. (A) To ensure the stability of the international monetary system.
The International Monetary Fund functions as a global overseer of financial stability, monitoring economic trends and national policies. It provides a framework for exchange rate cooperation and offers temporary financial assistance to member nations facing balance of payments crises. By promoting sound economic management, the organization aims to prevent global financial instability and facilitate the smooth flow of international trade.

282. (B) The IMF lends to countries with balance of payments difficulties, while the World Bank focuses on poverty reduction projects.
While both institutions support global economic health, they have distinct focuses. The International Monetary Fund primarily provides short-term loans to stabilize nations during financial emergencies. In contrast, the World Bank targets long-term development through project-based funding in areas like education and infrastructure. This distinction ensures that both immediate monetary stability and gradual economic growth are addressed at the global level.

283. (B) The policy conditions attached to a loan, aimed at correcting economic problems.
When the International Monetary Fund provides financial assistance, it often requires the recipient nation to implement specific economic reforms. These conditions, or conditionalities, are designed to address the root causes of the country's financial instability. By ensuring that governments adopt more sustainable fiscal or monetary policies, the fund aims to help them regain economic health and repay the borrowed funds.

284. (A) The International Development Association (IDA).
Within the World Bank Group, the International Development Association is specifically tasked with aiding the world's most impoverished nations. It provides grants and interest-free credits to support projects that boost economic growth and improve living conditions. This specialized focus complements the work of other bank institutions that lend to middle-income countries, ensuring that developmental aid reaches the most vulnerable populations.

285. (C) Long-term development.
The International Monetary Fund and the World Bank have complementary but different roles in

Click Here to Buy book on Amazon

such as Foreign Direct Investment and portfolio investment. Together, these accounts provide a comprehensive and systematic record of all economic exchanges between the residents of a nation and the rest of the world.

226. (B) An exporting country voluntarily limits the quantity of goods it exports to another country, often at the request of the importing country.
A Voluntary Export Restraint is a trade barrier where an exporting nation agrees to limit the quantity of a specific good it sells to another country, usually following a request from the importing nation to protect its domestic industries. While labeled "voluntary," these agreements are often made under the threat of more severe formal trade restrictions like tariffs or quotas. VERs function similarly to import quotas by reducing supply and potentially increasing prices, but the agreement is managed by the exporting country.

227. (B) The convergence of different cultures towards a common, global culture.
Cultural homogenization in the context of globalization refers to the process where diverse local cultures converge towards a more uniform, global culture, often influenced by Western consumerism and media. This trend can lead to the erosion of traditional values and local languages as global brands and lifestyles become more dominant worldwide. While globalization facilitates cultural exchange, critics fear that it may result in a "one-size-fits-all" global culture, reducing the rich diversity of human social expression and creating a more standardized international societal environment.

228. (D) Inflow of repatriated earnings from the foreign subsidiary.
Foreign Direct Investment presents several potential costs to the home country, including job losses if production moves abroad and a negative impact on the balance of payments from the initial capital outflow. There is also a risk of losing a technological edge through international transfer. However, the inflow of repatriated earnings from a successful foreign subsidiary is actually a significant benefit, rather than a cost. These earnings provide a return on investment that supports the home country's economy and its overall balance of payments.

229. (B) Contains metadata, which is data about the data (e.g., data types, formats, relationships).
A data dictionary is a vital component of a database system that contains metadata, which is essentially "data about the data." It defines the various data types, formats, relationships, and constraints for all elements within the database. By providing this structured information, the data dictionary ensures consistency and integrity across the entire system. It serves as a central reference for both developers and users to understand how information is organized, facilitating more efficient data management, querying, and overall system maintenance.

230. (A) Both A and R are true and R is the correct explanation of A.
The GATS agreement under the WTO provides a comprehensive framework for regulating international trade in services by identifying four distinct modes of supply. These include cross-border supply, consumption abroad, commercial presence through FDI, and the presence of natural persons. By covering these various methods, GATS ensures that all ways in which services can be delivered across borders are addressed within a single multilateral legal structure. This systematic approach promotes transparency and fair competition in the rapidly growing global services sector.

231. (B) A critical view, highlighting exploitation, monopolies, and growing inequality.
The "Robber Barons" of the 19th century are frequently associated with a critical view of the impacts of early industrial globalization. This perspective highlights concerns about the rise of powerful monopolies, the exploitation of labor, and the rapid growth of income inequality during that era. Critics argue that while this period saw significant economic expansion and technological progress, the benefits were often concentrated among a few wealthy industrialists, leading to significant social and economic imbalances that required subsequent regulatory interventions and labor reforms.

232. (B) Borrowing from the rest of the world.
A country with a persistent current account deficit is spending more on international trade and transfers than it is earning from its exports. To cover this gap, the nation must effectively borrow

Downloaded from www.pdf.tube

competitive. Consequently, countries specialize in producing and exporting goods that utilize their most plentiful resources, reflecting their inherent strengths in the competitive global trade market.

261. (D) The country is a net borrower from the rest of the world.
A current account deficit occurs when a nation's total spending on imports, services, and transfers exceeds its total earnings from exports and income. This situation indicates that the country requires external financing to cover the shortfall. Effectively, the nation becomes a net borrower from international sources, reflecting an imbalance in its trade and primary income flows with other countries.

262. (B) A foreign company making a direct investment to build a factory in the reporting country.
The capital and financial account tracks the movement of financial assets and liabilities between residents and non-residents. This includes significant investments such as foreign direct investment, where a lasting interest is established. Examples involve building physical infrastructure or purchasing significant equity. These transactions represent changes in ownership of national assets rather than the exchange of commercial goods or services.

263. (C) The residents of a country and the rest of the world.
The balance of payments serves as a comprehensive statistical record for all economic interactions occurring between a country's residents and individuals or entities abroad. This includes transactions involving goods, services, income, and financial instruments over a specific period. It provides a vital overview of how a nation's economy interacts with the global financial and commercial systems on an annual basis.

264. (D) The Current Account.
The current account is a primary component of the balance of payments that captures the exchange of tangible goods and intangible services. It specifically includes the balance of trade, which measures the difference between exports and imports. Additionally, it records primary income like dividends and secondary income such as remittances, reflecting the nation's net daily economic activity with others.

265. (A) The sum of the current, capital, and financial accounts must balance to zero.
Based on the principles of double-entry bookkeeping, the overall balance of payments must always net out to zero. Any surplus or deficit in the current account is mathematically offset by an equal and opposite value in the capital and financial accounts. This structural requirement ensures that all international economic transactions and their financing are accounted for accurately within the system.

266. (B) The transfer of technology and advanced management skills.
Foreign direct investment provides host countries with more than just capital inflows; it facilitates the introduction of modern technologies and sophisticated organizational practices. Local firms and workers often benefit from the knowledge spillovers and training provided by international corporations. This process enhances the overall productivity, efficiency, and competitiveness of the recipient country's industrial and service sectors over time and growth.

267. (B) Negatively affect the host country's balance of payments.
When foreign investors send the profits earned in a host country back to their home nation, it results in an outflow of currency. This repatriation of funds is recorded as a debit in the host country's current account. If these outflows are substantial, they can reduce the national surplus or widen the deficit, potentially putting pressure on the national currency.

268. (A) Foreign firms that have minimal connections and spillovers to the local economy.
An enclave economy occurs when foreign investments function as isolated entities within a host nation, having few links to local suppliers or businesses. These foreign firms might import all their materials and export their final products without creating significant positive impacts for domestic industries. This lack of integration limits the broader economic development and technological benefits for the host country involved.

NODIA

239. (B) Regional economic integration (e.g., customs unions)
Trade creation and trade diversion are key concepts used to analyze the economic impact of regional integration, such as the formation of a customs union. Trade creation occurs when a member country shifts from high-cost domestic production to lower-cost imports from a fellow member, increasing overall efficiency. In contrast, trade diversion happens when a country shifts its imports from a lower-cost non-member to a higher-cost member due to the preferential tariff structure. Balancing these two effects determines the net welfare gain of a regional trade agreement.

240. (B) P-3, Q-1, R-4, S-2
International trade relies on several key documents to facilitate secure and efficient transactions. A Letter of Credit acts as a bank's guarantee of payment to the exporter. The Bill of Lading serves as a receipt, a contract of carriage, and a document of title. The Commercial Invoice is the primary bill from the seller to the buyer, while the Certificate of Origin verifies the country where the goods were produced. Together, these documents ensure that trade rules are followed, payments are secured, and logistical details are properly managed.

241. (A) Integrated from multiple sources and time-variant
A key characteristic of data in a warehouse is that it is integrated from multiple disparate sources and is time-variant, meaning it includes historical information that allows for trend analysis over time. This structure provides a comprehensive and consistent view of organizational performance for managers. Unlike operational databases that focus on current, volatile data for daily transactions, a data warehouse is a stable repository designed for analytical processing, enabling complex queries that help identify long-term patterns and support strategic decision-making across the entire company.

242. (A) Deals with reasoning that is approximate rather than fixed and exact.
Fuzzy logic is a form of Artificial Intelligence that deals with reasoning that is approximate rather than fixed and exact, allowing for nuances between "true" and "false." This approach is particularly useful for modeling human decision-making and handling situations with uncertainty or incomplete information. Fuzzy logic is widely used in control systems, such as automated appliances or industrial processes, where it can manage variables that fall into a range of values, providing a more flexible and realistic way for machines to respond to complex environments.

243. (A) A tendency to reject new ideas or technologies developed outside the organization.
The "Not Invented Here" syndrome is a significant barrier to technological change characterized by an organization's tendency to reject new ideas or innovations simply because they were developed externally. This inward-looking culture can prevent a firm from adopting valuable technologies that could improve its efficiency or competitiveness. Overcoming NIH syndrome requires fostering a more open culture that values innovation regardless of its source and encourages employees to look outward for opportunities. A proactive approach to external technology is essential for long-term growth and technical leadership.

244. (A) David Ricardo
The theory of comparative advantage was first articulated by the classical economist David Ricardo in the early 19th century. Ricardo demonstrated that international trade can be mutually beneficial for two countries even if one has an absolute advantage in producing all goods. By specializing in products where they have a lower relative opportunity cost and trading with others, nations can maximize their overall economic welfare. This fundamental principle remains a cornerstone of modern international trade theory, emphasizing the gains from specialization and efficient resource allocation.

245. (C) P, Q, and S only
Inward Foreign Direct Investment provides several important benefits to a host country, including the transfer of new capital, technology, and management skills, which can boost economic growth. It also enhances market competition and is a major driver of job creation. However, it is not true that FDI always leads to the closure of all domestic firms; while some may face challenges, others can benefit from positive spillover effects and increased productivity. FDI is generally seen

Click Here to Buy book on Amazon

as a vital catalyst for modernizing a country's industrial sector and improving development.

246. (A) Both Statement I and Statement II are correct.
The World Bank and the IMF are complementary international institutions that address different economic needs. The World Bank primarily provides funding and technical assistance for long-term development projects aimed at poverty reduction and infrastructure improvement. In contrast, the IMF focuses on providing short-term financial assistance and policy advice to stabilize economies and address balance of payments crises. Together, these organizations work to maintain international financial stability and promote sustainable economic growth across their member nations, forming the core of the global financial architecture.

247. (A) Based on internal data and presented in structured, summary reports.
Information in a Management Information System is generally based on an organization's internal data and is presented in structured, routine summary reports. Its primary purpose is to help managers at the tactical level monitor and control performance by providing key metrics in a standardized format. These reports, such as monthly sales summaries or budget vs. actual comparisons, allow for the identification of trends and areas that require attention. This focus on structured, internal information distinguishes an MIS from systems that provide more interactive and flexible analysis.

248. (A) Stifle creativity and critical evaluation of ideas within a cohesive group.
A major risk of groupthink in Knowledge Management is that it can stifle creativity and prevent the critical evaluation of ideas within a highly cohesive group. When group members prioritize harmony and consensus over independent thinking, they may overlook potential flaws in their reasoning or ignore alternative perspectives. This phenomenon can lead to poor decision-making and a lack of innovation. Fostering a culture that encourages diverse opinions and constructive dissent is essential for a successful Knowledge Management strategy, ensuring that all ideas are thoroughly and critically examined.

249. (A) Trade barriers in a foreign market that limit export opportunities.
A "pull" factor for Foreign Direct Investment is an external condition that attracts a firm to a particular foreign market. High trade barriers, such as tariffs or quotas, that limit export opportunities are classic examples. To bypass these restrictions and serve the local market more effectively, a company may choose to invest directly by establishing local production facilities. This strategy allows the firm to overcome regulatory hurdles while also reducing transportation costs and improving its ability to respond to local customer needs and competitive pressures.

250. (A) P, Q, and S only
Effectively managing technological change in an organization is a complex socio-technical process that involves both technical updates and the people who use them. Success requires strong leadership, a clear vision, and proactive management of organizational culture and structure. It is not just a technical installation; it necessitates addressing employee resistance and ensuring that workflows are redesigned to align with the new system. A holistic approach that integrates technology with human and organizational needs is essential for achieving the intended benefits and maintaining a competitive business environment.

NODIA

251. (B) Balancing the drive for global standardization with the need for local market adaptation.
In the globalization era, managers face a fundamental conflict between achieving operational efficiency through global integration and adapting to specific local market demands. Global integration emphasizes standardizing products and processes across borders to reduce costs. Conversely, local responsiveness requires customizing strategies to meet unique cultural, regulatory, and consumer needs in different regions, forming the central challenge of international business.

252. (A) Access to new markets and global talent.
Globalization provides organizations with significant growth opportunities by opening doors to diverse international consumer markets beyond their domestic borders. It also allows firms to recruit high-quality human resources

from global talent pools. By leveraging these assets, businesses can enhance their competitive edge, optimize their production capabilities, and achieve greater innovation through a diverse workforce, improving overall organizational performance.

253. (C) The capacity to understand and appreciate diverse cultural and business contexts.
Developing a global mindset within an organization involves cultivating the awareness and flexibility needed to operate effectively across various national borders. This entails recognizing cultural nuances, understanding different regulatory frameworks, and appreciating diverse business environments. Such a mindset enables managers to lead multi-cultural teams and navigate the complexities of international trade and complex global communications with greater professional effectiveness.

254. (D) The decline of information technology.
The globalization environment is characterized by increased geopolitical risks, fluctuating currencies, and the difficulty of navigating various cultural norms and regulations. Heightened competition from international players also poses a significant threat to firms. However, information technology is actually advancing and facilitating global connectivity rather than declining, making its supposed reduction an inaccurate description of modern international business management challenges.

255. (C) Capable of leading diverse, geographically dispersed teams with cultural sensitivity.
Success in managing global business operations requires leaders who possess strong cross-cultural communication skills and sensitivity to local customs. They must effectively manage teams spread across different time zones and geographic locations while remaining responsive to varied consumer preferences. Strategic agility and the ability to foster a global mindset are essential for navigating this interconnected and complex international business landscape.

256. (B) Comparative Advantage allows for mutually beneficial trade even when one nation has an absolute advantage in all goods.
Absolute advantage focuses on producing goods with fewer resources, whereas comparative advantage emphasizes specializing where opportunity costs are lowest. While a country might be more efficient in producing every single item, David Ricardo demonstrated that international trade remains profitable for all parties involved. This occurs because nations prioritize goods where they possess the greatest relative productivity, maximizing total global economic output.

257. (D) The relative abundance of its national factor endowments.
The Heckscher-Ohlin theory suggests that international trade patterns are primarily determined by differences in a country's available resources. These resources, or factor endowments, include land, labor, and capital. Nations tend to export products that require an intensive use of the factors they have in abundance, while importing goods that depend on resources that are locally scarce in their economy.

258. (A) As a product matures and becomes standardized, its production may relocate to countries with lower labor costs.
The Product Life-Cycle Theory explains how trade patterns change as a product moves through its various stages of development. Initially, advanced economies innovate and export new technologies. However, as the manufacturing process becomes routine and standardized, production often shifts to developing nations. This transition is typically driven by the need to minimize costs, especially regarding labor expenses in competitive markets.

259. (C) Lowest opportunity cost.
According to David Ricardo, countries should focus their production efforts on goods that they can produce most efficiently relative to other products. This principle of comparative advantage hinges on identifying the lowest opportunity cost for each good. By specializing in these specific areas and trading for other necessities, nations can maximize their total economic output and overall national welfare levels.

260. (A) Heckscher-Ohlin Theory.
This specific trade theory focuses on the relationship between a nation's specific factor endowments and its resulting export patterns. It posits that the availability of land, labor, and capital dictates which industries will be most

Downloaded from www.pdf.tube

from the rest of the world, typically by attracting foreign investment or increasing its international liabilities. This imbalance indicates that the country is a net consumer of global resources and must rely on external capital inflows to finance its current lifestyle and investment needs, which can have long-term implications for its national debt.

233. (A) Ownership, Location, and Internalization
The eclectic paradigm, or OLI framework, posits that a firm will engage in Foreign Direct Investment if it possesses three specific advantages. Ownership advantages refer to the firm's unique assets like technology or brand. Location advantages involve the benefits of a specific foreign site, such as cheap labor or market access. Internalization advantages describe the preference for controlling operations directly rather than licensing. Together, these three factors provide a comprehensive explanation for why companies choose to invest in international business operations.

234. (A) Serve as a contract of carriage for air transport and a receipt for the goods.
An Air Waybill is a critical document in international air transport that serves as a contract of carriage between the shipper and the airline, as well as a receipt for the goods. Unlike a maritime bill of lading, it is generally non-negotiable, meaning it does not represent the title to the goods. It contains essential information about the cargo, the flight details, and the delivery instructions, ensuring that the shipment is handled efficiently and tracked throughout its journey to the destination.

235. (A) Learning to achieve a goal in a complex environment by taking actions and receiving feedback in the form of rewards or penalties.
Reinforcement learning is a type of machine learning in Artificial Intelligence where an agent learns to perform tasks through trial and error within a complex environment. The system takes various actions and receives feedback in the form of rewards for positive outcomes or penalties for mistakes. Over time, the agent optimizes its behavior to maximize the cumulative reward. This approach is widely used in areas such as robotics, game playing, and automated trading, where the system must learn to navigate dynamic situations without explicit training data.

236. (B) Facilitates the informal exchange of tacit knowledge and collaborative problem-solving.
A community of practice is an essential element of a successful Knowledge Management system because it provides a platform for the informal exchange of tacit knowledge and collaborative problem-solving among peers. By bringing together people with shared interests and expertise, these groups allow for the transfer of intuitive skills and insights that are difficult to document formally. This peer-to-peer interaction fosters innovation, encourages the sharing of best practices, and helps preserve critical organizational expertise that might otherwise be lost in a rigid hierarchy.

237. (A) The gap between those who have ready access to computers and the Internet, and those who do not.
The digital divide refers to the significant gap between individuals, communities, and nations that have ready access to modern information technology, such as computers and the internet, and those who do not. This disparity can be caused by various factors, including income levels, education, and geographic location. The digital divide creates inequalities in access to information, educational opportunities, and economic benefits, highlighting a major social and economic challenge in a globalized world where digital connectivity is increasingly essential for participation.

238. (A) P, Q, R
Lewin's Change Model provides a three-stage framework for managing organizational and technological change. It begins with "unfreezing," which involves preparing the organization to accept that change is necessary and breaking down existing mindsets. The second stage is "changing," where the new technology and processes are actually implemented. Finally, "refreezing" ensures that the changes are stabilized and integrated into the organization's permanent culture and routines. Following this logical sequence helps managers reduce resistance and ensure that technological transitions are successful and lasting.

NODIA

269. (C) Create policies that optimize the positive effects of FDI while minimizing the negative ones.
Governments must carefully balance the advantages of foreign direct investment, such as job creation and technology transfer, against potential risks like domestic market domination. Effective policymaking involves crafting regulations that encourage sustainable investment while protecting local interests. The ultimate goal is to ensure that international capital contributes positively to the country's long-term economic growth and social development through regulation.

270. (D) The goal of establishing a lasting interest in a foreign enterprise.
Foreign direct investment is distinguished from portfolio investment by the investor's long-term commitment and significant influence over a foreign business. Instead of seeking short-term financial gains from stock price changes, the investor aims to build a durable relationship. This usually involves active involvement in management and a long-term strategic stake in the foreign entity's operations and ongoing business success.

271. (C) A country must apply the same tariffs and trade advantages to all other WTO members.
The most-favored-nation principle is a cornerstone of the WTO's non-discrimination policy, requiring members to treat all other members equally. If a nation grants a specific trade favor or lower tariff to one member, it must immediately extend that same benefit to everyone else. This prevents preferential treatment and ensures a level playing field for all participating trading nations.

272. (B) Once it has entered the domestic market.
The national treatment principle ensures that imported goods are treated no less favorably than locally produced goods within the domestic market. This rule becomes applicable only after the foreign products have cleared customs and paid any necessary import duties. It prevents countries from using internal taxes or regulations to disadvantage imports in favor of domestic industries, promoting fair global competition.

273. (D) Its dispute settlement mechanism for resolving trade conflicts.
To prevent escalating trade wars and unilateral retaliatory actions, the WTO provides a structured, rules-based process for resolving legal disagreements between member nations. This dispute settlement mechanism ensures that trade conflicts are handled through a formalized legal framework rather than through economic power alone. By enforcing agreed-upon rules, it maintains stability and predictability within the global international trading system.

274. (A) Ensure international trade is as free, smooth, and predictable as possible.
The World Trade Organization aims to facilitate global commerce by reducing barriers and establishing a clear set of rules for all participants. By promoting transparency and binding commitments, the organization helps businesses plan their international operations with confidence. This multilateral framework seeks to increase economic prosperity by encouraging the free flow of goods and services across national borders worldwide.

275. (C) Most-Favoured-Nation and National Treatment.
Non-discrimination within the multilateral trading system is primarily upheld through two essential rules. The first requires equal treatment of all foreign trading partners, ensuring no single nation receives unfair advantages. The second ensures that foreign products are treated the same as domestic ones once they enter a market. Together, these principles foster an equitable and competitive environment for global commerce.

276. (A) A receipt for goods, a contract of carriage, and a document of title.
The bill of lading is a vital document in international shipping that serves multiple legal purposes. It confirms that the carrier has received the items, outlines the terms of the transportation agreement, and acts as a title to the goods. Whoever holds this document possesses the legal right to claim the cargo upon its arrival at the specified destination port.

Click Here to Buy book on Amazon

219. (A) As production output increases, the cost per unit of production decreases.
Economies of scale occur when the cost per unit of production decreases as the total output increases. This concept is central to the New Trade Theory, which suggests that large-scale production allows firms to become more efficient and competitive globally. By specializing and producing for a worldwide market, companies can achieve lower unit costs than if they only served their domestic market. This efficiency gain provides a strong rationale for international trade, even between countries with similar resources and technology.

220. (B) P, Q, R, and S
The World Bank and IMF are sister institutions created at the Bretton Woods conference to support global economic stability and development. While the World Bank focuses on long-term project financing for development, the IMF's primary role is maintaining the international monetary system. Both are headquartered in Washington, D.C., and membership in the IMF is a prerequisite for joining the World Bank. Together, they provide a comprehensive framework for international financial cooperation, addressing both short-term stability and long-term economic growth.

221. (B) A collection of quantitative models like statistical models, optimization models, and forecasting models.
The model base is a crucial component of a Decision Support System that contains a collection of quantitative and analytical models, such as statistical, optimization, and forecasting models. These tools allow managers to process data and explore various scenarios through mathematical representations of business problems. By providing this analytical capability, the model base enables the system to support complex, semi-structured decision-making. Users can test different assumptions and evaluate potential outcomes, leading to more informed and effective strategic and tactical management decisions.

222. (D) A centralized repository that allows you to store all your structured and unstructured data at any scale.
A data lake is a centralized repository that allows for the storage of all types of data—both structured and unstructured—at any scale. Unlike a data warehouse, which requires data to be processed and structured before it is loaded, a data lake allows for more flexible storage of raw data in its original format. This approach is particularly useful for Big Data initiatives, as it enables organizations to collect massive amounts of information for future analysis, including machine learning and real-time processing.

223. (B) Reduce the risk of a licensee disseminating the firm's proprietary knowledge.
The internalization theory of Foreign Direct Investment suggests that firms prefer to establish their own foreign operations rather than licensing their technology to others. This preference is driven by the desire to maintain tight control over proprietary knowledge and reduce the risk of it being misappropriated or disseminated by a licensee. By internalizing international transactions, companies can protect their competitive advantage and ensure that their specialized expertise and processes are used correctly and securely within their own global organizational structure.

224. (A) Encouraging employees to share their valuable tacit knowledge.
A primary challenge in Knowledge Management is encouraging employees to share their valuable tacit knowledge, which is intuitive and experience-based. Since this information is personal and often provides a competitive edge to the individual, people may be hesitant to share it with others. Overcoming this hurdle requires creating a supportive organizational culture that rewards collaboration and builds trust. Successfully capturing and disseminating this expertise is essential for maximizing the organization's collective intelligence and fostering innovation and improved problem-solving across the entire firm.

225. (B) P, R, and S only
A country's Balance of Payments is composed of three primary accounts that record its international economic transactions. The Current Account tracks trade in goods and services, as well as income flows. The Capital Account records transfers of non-financial and non-produced assets. Finally, the Financial Account tracks international investment movements,

NODIA

the global economy. The fund acts as a stabilizer, addressing immediate financial imbalances and currency issues. Meanwhile, the bank functions as a development partner, investing in the fundamental building blocks of a nation's future. Therefore, the bank is the primary global institution dedicated to fostering long-term prosperity.

286. (D) MIS supports structured decisions with routine reports, while DSS assists with semi-structured decisions using analytical models.
Management information systems are designed to process internal data and generate standardized reports for routine monitoring. In contrast, decision support systems are interactive tools used for complex, non-routine problems that are semi-structured or unstructured. While the former focuses on historical and present operational data, the latter utilizes analytical models and external data to explore various scenarios and potential outcomes.

287. (C) A Management Information System (MIS).
For periodic and highly structured information needs, such as reviewing monthly sales performance across different categories, a management information system is the most appropriate tool. It specializes in summarizing internal operational transactions into pre-defined formats. These routine reports allow managers to monitor current organizational performance against set targets, facilitating effective control of day-to-day business activities and established processes.

288. (B) Semi-structured or unstructured.
Decision support systems are specifically engineered to aid in resolving problems that lack a fully pre-defined solution process. These semi-structured or unstructured situations require managerial judgment combined with sophisticated data analysis. By providing access to various models and datasets, these systems allow users to evaluate different alternatives and navigate the complexities of unique, non-routine business challenges that routine reports cannot.

289. (D) Provide managers with structured reports from internal data for monitoring and control.
The fundamental goal of a management information system is to ensure that managers have consistent and reliable information regarding internal operations. By processing transactional data into structured summaries, the system supports the monitoring of past and present performance. This focus on internal efficiency and control helps organizations maintain their established operational standards and identify areas where routine adjustments are necessary.

290. (A) Provide analytical tools and models to explore different scenarios.
A decision support system offers advanced capabilities beyond simple data reporting by incorporating interactive modeling tools. These features allow managers to conduct "what-if" analyses and simulate the potential impact of various strategic choices. This ability to explore hypothetical scenarios and manipulate data dynamically distinguishes it from more rigid systems that primarily focus on delivering fixed, historical performance summaries for monitoring.

NODIA

291. (C) Volume, Velocity, and Variety.
Big data is defined by three primary characteristics that set it apart from traditional datasets. High volume refers to the massive amount of data generated. Velocity describes the incredible speed at which new data is created and processed. Variety indicates the diverse formats of information, including structured database records, semi-structured files, and unstructured content like social media posts or videos for analysis.

292. (A) AI serves as the analytical engine to process Big Data and extract insights.
While big data provides the raw information, artificial intelligence provides the necessary tools to make sense of it. AI algorithms can sift through enormous, complex datasets to identify patterns and correlations that are invisible to traditional tools. By acting as the analytical core, artificial intelligence transforms raw data into actionable insights, enabling automated decision-making and more accurate predictive modeling for businesses.

293. (D) A proactive and predictive model.
By combining the vast information from big data with the analytical power of artificial

whereas the intrapreneur's risk is career-related.
(B) An entrepreneur works within an existing organization, while an intrapreneur starts their company.
(C) Entrepreneurs are only found in tech industries, while intrapreneurs are found in other sectors.
(D) There is no fundamental difference; the two terms are synonymous in business management.

59. Consider the following statements about entrepreneurial competencies:
i They are inborn and cannot be learned.
ii 'Seeking information' is a key competency.
iii 'Persistence in overcoming obstacles' is a crucial competency.
iv They include a blend of knowledge, skills, and motives.
Which of the above statement(s) is/are correct?
(A) i and iv only
(B) ii, iii, and iv only
(C) i, ii, and iii only
(D) i and ii only

60. 'Micro finance' institutions primarily aim to achieve:
(A) Maximum profitability by charging high interest rates.
(B) Financial inclusion by providing services to the unbanked and underbanked poor.
(C) Funding for large-scale industrial projects.
(D) The regulation of international capital flows.

61. Implementing a new workplace structure, such as shifting from a hierarchical to a flat organizational model, is an example of:
(A) Product Innovation
(B) Process Innovation
(C) Organizational Innovation
(D) Marketing Innovation

62. Read the following statements regarding industrial sickness and choose the correct option.
Statement I: The main reason for the sickness of small industries is always a lack of demand for their products.
Statement II: Managerial deficiencies, diversion of funds, and technological obsolescence are significant internal reasons for industrial sickness.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is incorrect, but Statement II is correct.
(D) Statement I is correct, but Statement II is incorrect.

63. Which of the following is NOT a typical section of a standard business plan?
(A) Personal biography of the entrepreneur's family
(B) Executive Summary
(C) Marketing Plan
(D) Financial Projections

64. Match the following institutional types in List-I with their primary roles in List-II regarding financial support for small industries.
List I: (Institution Type)
P. Commercial Banks
Q. Micro Finance Institutions
R. SIDBI
S. Cooperative Banks
List II: (Primary Role)
1. Apex institution for promotion, financing, and development of MSMEs
2. Primarily serve rural and semi-urban communities with a member-based approach
3. Provide small loans (microcredit) to low-income groups, often through SHGs
4. Major source of working capital finance and term loans for various industries
Codes:
(A) P-4, Q-3, R-1, S-2
(B) P-3, Q-4, R-2, S-1
(C) P-4, Q-1, R-3, S-2
(D) P-2, Q-3, R-1, S-4

65. A 'push' factor that might lead a woman to start her own business is:
(A) A strong desire to be her own boss.
(B) Experiencing a glass ceiling or discrimination in her corporate job.
(C) Spotting a lucrative market opportunity.
(D) Having a passion for innovation.

Downloaded from www.pdf.tube

CHAPTER 10
Entrepreneurship Development

1. Which of the following best defines entrepreneurship?
(A) The management of an existing large corporation's routine daily operations.
(B) The process of designing, launching, and running a new business venture.
(C) The act of investing in the stock market to achieve long-term financial gains.
(D) The process of working as a professional employee in a well-established company.

2. Read the following statements about Entrepreneurial Competencies and choose the correct option.
Statement I: Entrepreneurial competencies are the underlying characteristics such as generic and specific knowledge, motives, traits, and skills.
Statement II: These competencies are static and cannot be developed through training and experience.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

3. Which type of entrepreneur is characterized by a high propensity for risk-taking and a focus on introducing novel products, services, or production methods?
(A) Imitative Entrepreneur
(B) Fabian Entrepreneur
(C) Innovative Entrepreneur
(D) Drone Entrepreneur

4. According to Joseph Schumpeter's theory, what is the primary function of an entrepreneur?
(A) To bear uncertainty
(B) To provide capital
(C) To manage the organization
(D) To introduce innovations

5. An individual who starts a business that is a replication of a successful existing business model, often with minor modifications for a local market, is best described as a(n):
(A) Drone entrepreneur
(B) Fabian entrepreneur
(C) Imitative entrepreneur
(D) Innovative entrepreneur

6. Which of the following is NOT considered a core entrepreneurial competency?
(A) Initiative and risk-taking
(B) Risk aversion
(C) Problem-solving
(D) Perseverance

7. Match the following types of entrepreneurs in List-I with their primary characteristics in List-II.
List I: (Type of Entrepreneur)
P. Drone Entrepreneur
Q. Fabian Entrepreneur
R. Innovative Entrepreneur
S. Imitative Entrepreneur
List II: (Primary Characteristic)
1. Introduces something new
2. Adopts successful innovations from others
3. Is skeptical and cautious about adopting changes
4. Refuses to adopt and use new opportunities to make changes
Codes:
(A) P-4, Q-3, R-1, S-2
(B) P-3, Q-4, R-2, S-1
(C) P-4, Q-1, R-3, S-2
(D) P-2, Q-3, R-1, S-4

8. A prospective entrepreneur evaluates a business idea by analyzing the availability of required raw materials, machinery, and utilities. This activity

NODIA

distribution channel
4. Developing a more efficient manufacturing technique

Codes:
(A) P-1, Q-2, R-3, S-4
(B) P-2, Q-4, R-3, S-1
(C) P-3, Q-1, R-4, S-2
(D) P-2, Q-3, R-1, S-4

24. The screening of business ideas involves evaluating them against certain criteria. Which of the following is LEAST likely to be a criterion in the initial screening stage?
(A) A detailed five-year projected balance sheet.
(B) Alignment with the entrepreneur's skills and interests.
(C) Potential market size and growth prospects.
(D) Preliminary assessment of capital requirements.

25. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): Rural entrepreneurship is crucial for balanced regional development and for curbing migration to urban areas.
Reason (R): By creating local employment opportunities, rural entrepreneurship helps in utilizing local resources and improving the standard of living in rural communities.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

26. Which of the following is considered an external reason for sickness in small industries?
(A) Sudden shift in government policy
(B) Poor financial management
(C) Inappropriate product mix
(D) Lack of strategic planning

27. A key objective of developing a business plan is to:
(A) Guarantee the absolute financial success of the business.
(B) Fulfill a mandatory legal requirement for new startups.
(C) Eliminate every potential business risk in the industry.
(D) Secure funding from various external financial sources.

28. Consider the following list of potential components of a comprehensive feasibility analysis:
i Technical Analysis
ii Market Analysis
iii Historical Stock Performance Analysis
iv Financial Analysis
v Employee Satisfaction Survey
Which of the above are correct components?
(A) i, ii, and v only
(B) i, ii, and iv only
(C) iii, iv, and v only
(D) i, iii, and iv only

29. The concept of 'Micro Finance' is most closely associated with:
(A) Providing large-scale corporate loans for mergers.
(B) Funding major government infrastructure projects.
(C) Offering small loans to low-income individuals.
(D) Managing foreign exchange for the central bank.

30. In the context of promoting Small Scale Industries (SSI), what is the primary role of the government?
(A) To directly manage and operate all small industry units.
(B) To restrict competition by banning the entry of startups.
(C) To nationalize all profitable small-scale production units.
(D) To provide support through various schemes and policies.

31. An entrepreneur who is extremely cautious, does not want to take risks, and only adopts a new technology or method when it becomes absolutely necessary to survive is known as a:
(A) Fabian Entrepreneur
(B) Innovative Entrepreneur
(C) Imitative Entrepreneur
(D) Drone Entrepreneur

Click Here to Buy book on Amazon

lead to the creation of a new business unit or subsidiary.

Which of the above statements are correct?

(A) i, ii, and iv only
(B) ii, iii, and v only
(C) i, iii, and v only
(D) ii, iv, and v only

16. What is the most significant 'pull' factor for women to become entrepreneurs?

(A) External financial problems and family responsibilities.
(B) The need for achievement and personal self-actualization.
(C) Lack of alternative employment and career opportunities.
(D) Deep dissatisfaction with a previous corporate workplace.

17. An entrepreneur introduces a new method of online customer service that significantly reduces response time and improves user satisfaction. This is an example of:

(A) Product Innovation
(B) Process Innovation
(C) Marketing Innovation
(D) Organizational Innovation

18. Which of the following is NOT a common reason for sickness in small industries?

(A) Excessively high employee morale and productivity.
(B) Lack of adequate and timely financial assistance.
(C) Marketing problems and existing demand constraints.
(D) General managerial incompetence and poor planning.

19. Arrange the following steps in the entrepreneurial process in the correct sequence.

1. Mobilizing Resources
2. Opportunity Spotting and Evaluation
3. Launching the Enterprise
4. Developing a Business Plan
5. Managing and Growing the Venture

Choose the correct option:

(A) 2, 4, 1, 3, 5
(B) 1, 2, 4, 3, 5
(C) 2, 1, 4, 5, 3
(D) 4, 2, 1, 3, 5

20. A feasibility study conducted to assess the suitability of a specific location, availability of technology, and the required scale of operations is known as:

(A) Market Feasibility Analysis
(B) Financial Feasibility Analysis
(C) Economic Feasibility Analysis
(D) Technical Feasibility Analysis

21. Read the following statements about business plans and feasibility analysis and choose the correct option.

Statement I: A business plan is a comprehensive document that serves as a roadmap for the business.

Statement II: A feasibility analysis is a preliminary study to determine if a business idea is viable, often conducted before writing a detailed business plan.

(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

NODIA

22. Which of the following institutions provides institutional finance primarily to small-scale industries in India?

(A) Reserve Bank of India (RBI)
(B) Small Industries Development Bank of India (SIDBI)
(C) Securities and Exchange Board of India (SEBI)
(D) Life Insurance Corporation of India (LIC)

23. Match the following types of innovation in List-I with their examples in List-II.

List I: (Type of Innovation)

P. Product Innovation
Q. Process Innovation
R. Marketing Innovation
S. Organizational Innovation

List II: (Example)

1. Implementing a new Total Quality Management (TQM) system
2. Introducing a smartphone with a foldable screen
3. Adopting a new packaging design and

intelligence, organizations can anticipate future trends rather than simply reacting to past events. This synergy allows businesses to transition from a retrospective approach to one that is forward-looking. Proactive and predictive models enable companies to anticipate customer needs, optimize resources, and stay ahead of competitors.

294. (B) Predicting customer churn by analyzing their past behavior patterns.
Artificial intelligence can examine extensive customer datasets to identify subtle signals that indicate a person might stop using a service. By analyzing various behavioral patterns and historical transactions, machine learning models can predict this churn before it happens. This allows companies to take preventive actions and tailor their retention strategies, demonstrating how AI generates value from massive amounts of behavioral data.

295. (C) Scale, speed of generation, and diverse formats.
Traditional data management systems were not built to handle the sheer volume and rapid arrival of modern information. The complexity is further increased by the variety of data formats, ranging from simple numbers to complex social media interactions and sensor readings. These factors—scale, speed, and diversity—render legacy tools inadequate, necessitating the adoption of more advanced technologies like artificial intelligence.

296. (D) To act as a centralized repository of integrated historical data for analysis.
A data warehouse serves as a consolidated storage space where data from various parts of an organization are gathered and standardized. Unlike operational databases, it focuses on providing a historical perspective to support long-term business intelligence. This integrated environment allows analysts to perform complex queries and identify trends across the entire enterprise, providing a foundation for informed strategic decision-making processes.

297. (A) Discovering meaningful, hidden patterns in large datasets.
Data mining involves using advanced statistical and machine learning techniques to explore vast amounts of information. The goal is to uncover previously unknown relationships, trends, or associations that can provide a competitive advantage. By extracting these hidden insights, organizations can better understand customer behavior, detect fraudulent activities, and improve their operational efficiency through evidence-based strategies and refined predictive models.

298. (B) The data warehouse provides the structured data that data mining techniques analyze.
These two concepts are complementary stages in the data-to-knowledge process. The data warehouse acts as the infrastructure, storing and organizing massive amounts of historical information in a cleaned, consistent format. Once this repository is in place, data mining techniques are applied to probe the data for valuable insights. Without the organized structure of the warehouse, effective mining would be nearly impossible.

299. (B) It is the organizational process of creating, sharing, and using the insights derived from data.
Knowledge management bridges the gap between technical data analysis and organizational action. It involves the systematic capture, distribution, and application of the wisdom gained from tools like data mining. By ensuring that insights are shared among employees and integrated into corporate culture, the process turns individual discoveries into collective organizational intelligence, fostering continuous learning and more effective strategic business adaptation.

300. (A) A Knowledge Management process to embed new insights into the organization.
Effectively adopting new technologies requires more than just technical implementation; it necessitates a cultural and process-oriented shift. Knowledge management ensures that the patterns and trends discovered through advanced analytics are utilized across the entire business. By embedding these insights into daily workflows and strategic planning, organizations can successfully adapt to technological changes and maintain their competitive edge in a fast-paced market.

Downloaded from www.pdf.tube

32. Read the following statements regarding market and technical analysis and choose the correct option.
Statement I: The primary goal of a market analysis is to determine the potential profitability of the business idea.
Statement II: The primary goal of a technical analysis is to determine the demand and supply dynamics in the target market.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

33. Which theory of entrepreneurship emphasizes the "need for achievement" (n-Ach) as the key driver of entrepreneurial behavior?
(A) Schumpeter's Theory of Innovation
(B) McClelland's Theory of Needs
(C) Leibenstein's X-Efficiency Theory
(D) Max Weber's Theory of Social Change

34. A business idea is identified by observing a growing consumer preference for organic and eco-friendly products. This method of identifying an opportunity is best described as:
(A) Observing trends
(B) Analyzing a problem
(C) Identifying a market gap
(D) Brainstorming

35. The rehabilitation of sick small industrial units often involves which of the following measures?
(A) Immediate liquidation of all assets.
(B) Nationalization of the unit by the government.
(C) Restructuring of debt and infusion of fresh funds.
(D) Imposing stricter regulations on the unit.

36. Which of the following statements about Women Entrepreneurship in India is incorrect?
(A) They often face a dual challenge of managing family.
(B) Government initiatives aim to support their development.
(C) Cultural norms can sometimes act as a barrier to growth.
(D) They have equal and unhindered access to bank credit.

37. Consider the following statements related to business plans and feasibility studies:
i A business plan is typically prepared after the feasibility of the idea is established.
ii Feasibility analysis focuses on the question "Is this a viable business idea?".
iii A business plan focuses on the question "How do we execute this business idea?".
iv A business plan and a feasibility study are interchangeable terms for the same document.
Which of the above statements are correct?
(A) i, ii, and iii only
(B) i and iv only
(C) ii and iii only
(D) i, ii, iii, and iv

38. The role of a Commercial Bank in financing small industries primarily includes:
(A) Providing seed capital and venture funding.
(B) Offering working capital loans and term loans.
(C) Formulating national policy for industrial development.
(D) Exclusively funding large infrastructure projects.

39. Arrange the following broad phases of the entrepreneurship development process in their logical order of occurrence.
1. Growth Stage
2. Start-up Stage
3. Pre-start-up Stage
4. Post-start-up Stage
Choose the correct code:
(A) 3, 2, 4, 1
(B) 2, 3, 1, 4
(C) 3, 1, 2, 4
(D) 1, 2, 3, 4

NODIA

40. An entrepreneur notices that in her town, there are many bakeries but none that specialize in gluten-free products for people with celiac disease. This identification of a business opportunity is an example of:
(A) Spotting a gap in the market
(B) Creating a new technology

is part of which stage of the entrepreneurship development process?
(A) Opportunity evaluation
(B) Mobilizing resources
(C) Managing the enterprise
(D) Harvesting the venture

9. Read the following statements about intrapreneurship and choose the correct option.
Statement I: Intrapreneurship refers to the practice of entrepreneurial behavior within an established organization.
Statement II: An intrapreneur is typically the owner of the organization and bears the full risk of the venture.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

10. Consider the following statements regarding the entrepreneurial development process:
i It begins with the generation of a business idea.
ii Feasibility analysis is conducted after launching the business.
iii Resource mobilization is a critical step before starting operations.
iv The process ends immediately after the business is launched.
Which of the above statements are correct?
(A) i and iii only
(B) ii and iv only
(C) i, ii, and iii only
(D) i and iv only

11. What is the concept of 'Intrapreneurship' primarily about?
(A) Starting a new business venture independently from any corporation.
(B) The specialized process of acquiring another competitive company.
(C) A government program to support small rural business initiatives.
(D) Fostering entrepreneurial activities and innovations within a firm.

12. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): Women entrepreneurship faces unique challenges compared to their male counterparts, such as difficulty in accessing finance and societal barriers.
Reason (R): Financial institutions often perceive women as higher-risk borrowers, and traditional social norms can limit their mobility and networking opportunities.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

13. The process of an intrapreneur turning an idea into a tangible and profitable reality within an organization typically involves which of the following?
(A) Immediately resigning to start an independent company.
(B) Bypassing all corporate procedures and hierarchies.
(C) Securing sponsorship from senior management and teams.
(D) Focusing solely on theoretical research without practice.

14. Which of the following is a primary characteristic of rural entrepreneurship?
(A) Heavy reliance on advanced and expensive information technology.
(B) Focus on large-scale manufacturing for competitive global markets.
(C) Operations that are exclusively based in metropolitan city centers.
(D) Utilization of local resources to cater to regional needs.

15. Consider the following statements regarding the intrapreneurial process:
i The process is always initiated by top management.
ii It requires a corporate culture that tolerates failure and encourages risk-taking.
iii The intrapreneur must champion the idea through various organizational hurdles.
iv Resource allocation for intrapreneurial projects follows the same rigid budgeting process as other departments.
v A successful intrapreneurial venture can

Click Here to Buy book on Amazon

49. Consider the following statements regarding the characteristics of entrepreneurship:
i It involves risk-bearing.
ii It is a process of innovation.
iii It focuses on maintaining the status quo.
iv It is driven by the need for achievement.
v It is restricted to large-scale businesses only.
Which of the above statement(s) is/are correct?
(A) i, ii, and v only
(B) iii, iv, and v only
(C) i, ii, and iv only
(D) ii, iii, and iv only

50. Creating a new pricing strategy for an existing product falls under which type of innovation?
(A) Marketing Innovation
(B) Product Innovation
(C) Process Innovation
(D) Organizational Innovation

51. "Creating and identifying opportunities" is a crucial step in the entrepreneurial process. Which of the following is NOT a common method for this?
(A) Analyzing social and economic trends
(B) Identifying unsolved problems or needs
(C) Strictly adhering to existing business models without deviation
(D) Finding gaps in the existing market

52. The term 'Sickness' in the context of a small industrial unit implies that the unit is:
(A) Experiencing high employee turnover and morale issues.
(B) Temporarily shut down for essential annual maintenance.
(C) Making super-normal profits in a competitive environment.
(D) Incurring cash losses and having an eroding net worth.

53. A software engineer working at a large tech company develops a new application during her '20% time' and gets funding from the company to develop it into a new product line. This is a classic example of:
(A) Rural Entrepreneurship
(B) Women Entrepreneurship
(C) Intrapreneurship
(D) Social Entrepreneurship

54. The process of analyzing the target market, estimating demand, and studying competitors is part of:
(A) Financial Feasibility
(B) Market Feasibility
(C) Technical Feasibility
(D) Legal Feasibility

55. Arrange the following steps in the process of business idea screening in a logical sequence.
1. Detailed Feasibility Analysis
2. Idea Generation
3. Preliminary Screening
4. Opportunity Recognition
Choose the correct option:
(A) 2, 4, 3, 1
(B) 4, 2, 1, 3
(C) 2, 3, 4, 1
(D) 3, 2, 1, 4

56. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): A business plan is a static document that should not be altered after it is written.
Reason (R): The business environment is dynamic, and entrepreneurs must be flexible and willing to adapt their plans in response to new information and changing circumstances.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

57. Which of the following is an example of the Government's role in promoting Small Scale Industries (SSI)?
(A) Imposing high taxes on SSIs to increase government revenue.
(B) Nationalizing all SSIs to ensure state control.
(C) Providing subsidies, tax incentives, and setting up industrial estates.
(D) Discouraging banks from lending to SSIs.

58. What is the primary difference between an entrepreneur and an intrapreneur?
(A) The entrepreneur bears direct financial risk,

Downloaded from www.pdf.tube

(C) Following a social trend
(D) Replicating a foreign business model

41. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): The process of intrapreneurship requires a supportive organizational structure that provides autonomy and resources.
Reason (R): Without corporate sanction and support, an employee's entrepreneurial idea is unlikely to overcome internal resistance and secure the necessary funding to be developed.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

42. In the context of feasibility analysis, which component assesses aspects like projected income statements, cash flow statements, and break-even point?
(A) Financial Analysis
(B) Market Analysis
(C) Technical Analysis
(D) Organizational Analysis

43. Which of the following is an example of an agro-based rural enterprise?
(A) A small unit making furniture from forest wood.
(B) A software development firm in a village.
(C) A handicraft business using seashells.
(D) A food processing unit making pickles and jams from local farm produce.

44. Match the following theorists in List-I with their core concepts in List-II.
List I: (Theorist)
P. Joseph Schumpeter
Q. David McClelland
R. Israel Kirzner
S. Harvey Leibenstein
List II: (Core Concept)
1. Need for Achievement (n-Ach)
2. X-Efficiency and Gap Filling
3. Innovation and Creative Destruction
4. Entrepreneurial Alertness
Codes:
(A) P-1, Q-3, R-2, S-4
(B) P-3, Q-1, R-4, S-2
(C) P-3, Q-2, R-1, S-4
(D) P-4, Q-1, R-2, S-3

45. An entrepreneur who is resistant to change and operates in a traditional way, not even adopting changes to avert losses, is best described as a:
(A) Fabian Entrepreneur
(B) Innovative Entrepreneur
(C) Drone Entrepreneur
(D) Imitative Entrepreneur

46. Read the following statements regarding sickness in small industries and choose the correct option.
Statement I: Sickness in small industries is exclusively caused by internal factors like mismanagement.
Statement II: External factors such as changes in market demand, raw material shortages, and government policies have no impact on the health of small industries.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

47. The primary purpose of screening business ideas is to:
(A) Eliminate impractical and non-viable ideas at an early stage.
(B) Select one idea for immediate full-scale investment.
(C) Develop detailed business plans for all generated ideas.
(D) Secure patents for all conceived ideas.

48. Which of the following best describes the role of Cooperative Banks in financing small industries?
(A) They primarily serve large multinational corporations.
(B) They focus on providing financial services in rural and semi-urban areas, often to agriculture and allied industries.
(C) They are the main source of venture capital for tech startups.
(D) Their sole function is to regulate other banks.

NODIA

66. Which entrepreneurial theory suggests that entrepreneurs are individuals who are alert to unnoticed profit opportunities?
(A) Kirzner's Theory of Entrepreneurial Alertness
(B) McClelland's Theory of Achievement Motivation
(C) Schumpeter's Theory of Innovation
(D) Max Weber's Sociological Theory

67. Consider the following factors related to industrial sickness in small scale industries:
i Faulty financial planning and diversion of funds.
ii Technological obsolescence.
iii Efficient and proactive management.
iv Favorable government policies and consistent market demand.
v Inappropriate location of the plant.
Which of the above are valid reasons for industrial sickness?
(A) i, ii and v only
(B) iii and iv only
(C) i, ii, iii and v only
(D) i, iv and v only

68. The process within feasibility analysis that focuses on estimating the sales potential, identifying target customers, and analyzing competition is:
(A) Technical analysis
(B) Financial analysis
(C) Operational analysis
(D) Market analysis

69. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): Developing entrepreneurial competencies is a key aspect of entrepreneurship development programs.
Reason (R): Competencies like risk-taking, problem-solving, and perseverance can be enhanced through structured training and experiential learning, increasing the likelihood of venture success.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

70. The primary characteristic that distinguishes an 'innovative entrepreneur' from an 'imitative entrepreneur' is:
(A) The level of capital invested.
(B) The creation of something new versus the adoption of existing ideas.
(C) The size of the business.
(D) The location of the enterprise (urban vs. rural).

71. In the context of rural entrepreneurship, which of the following poses a significant challenge?
(A) Abundance of highly skilled labor and managerial talent.
(B) Excellent local infrastructure and global market connectivity.
(C) Oversaturation of rural markets with high-end luxury products.
(D) Lack of access to finance and modern technology.

72. A key step in the intrapreneurship process is 'building a coalition'. What does this typically involve?
(A) Gathering support from influential managers and peers within the organization.
(B) Registering a new company with the government.
(C) Forming a union to demand better pay.
(D) Selling company shares to the public.

73. The government's policy of reserving certain items for exclusive production by the small-scale sector was aimed at:
(A) Discouraging innovation in SSIs.
(B) Forcing SSIs to merge with large companies.
(C) Protecting SSIs from competition with large-scale industries.
(D) Increasing imports of those items.

74. A firm develops a completely new material that is stronger and lighter than steel. This is a clear example of:
(A) Product Innovation
(B) Marketing Innovation
(C) Organizational Innovation
(D) Process Innovation

Click Here to Buy book on Amazon

108. An entrepreneurship development program (EDP) typically aims to develop which of the following?
i Technical skills related to a specific trade.
ii Entrepreneurial competencies like risk-taking and problem-solving.
iii Managerial skills for running a business.
iv An understanding of the business environment and support systems.
v A guaranteed profitable business idea.
Which of the above statement(s) is/are correct?
(A) i, ii, and v only
(B) iii, iv, and v only
(C) i, ii, iii, and iv only
(D) v only

109. The 'Process of Intrapreneurship' is best described as:
(A) The formal procedure for company registration.
(B) The process of liquidating a failed company.
(C) The sequence of actions an employee takes to champion a new idea within an organization.
(D) The annual financial auditing process.

110. Which of the following is a major bottleneck for the growth of Rural Entrepreneurship in India?
(A) High literacy and skill levels in rural areas.
(B) Strong and widespread infrastructure, including roads and electricity.
(C) Easy availability of credit from formal financial institutions.
(D) Poor market linkages and lack of access to information.

111. The financial analysis section of a business plan would NOT include:
(A) Detailed competitor marketing strategies
(B) Break-even analysis
(C) Projected cash flow statement
(D) Projected balance sheet

112. Arrange the following stages of the Entrepreneurial Development Process in chronological order:
1. Developing the Business Plan
2. Idea Generation
3. Managing the Enterprise
4. Opportunity Evaluation
5. Resource Mobilization

Select the correct code:
(A) 2, 4, 1, 5, 3
(B) 2, 1, 4, 5, 3
(C) 1, 2, 4, 3, 5
(D) 4, 2, 1, 5, 3

NODIA

113. An employee who is endowed with entrepreneurial skills and uses the company's resources to develop a new product is known as a(n):
(A) Sole proprietor
(B) Intrapreneur
(C) Partner
(D) Competitor

114. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): Sickness in small industries can be caused by both internal and external factors.
Reason (R): Internal factors include managerial incompetence, while external factors include economic recession and changes in government policies.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

115. A food delivery company improves its mobile app's algorithm to optimize delivery routes, saving time and fuel. This is an example of:
(A) Product Innovation
(B) Marketing Innovation
(C) Process Innovation
(D) Organizational Innovation

116. Consider the following statements regarding the challenges often faced by women entrepreneurs:
i Lack of family support and societal stereotypes.
ii Easy access to collateral-free loans from all banks.
iii Difficulty in networking due to mobility constraints.
iv Balancing business and domestic responsibilities.
v Over-representation in top corporate

Assertion (A): A feasibility study is a crucial first step before committing significant resources to a new venture.
Reason (R): It helps to objectively and rationally uncover the strengths and weaknesses of a proposed venture, opportunities and threats present in the environment, the resources required, and ultimately the prospects for success.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

84. A key difference between rural and urban entrepreneurship lies in the:
(A) Basic principles of management.
(B) Legal structure of the business.
(C) Desire for profit.
(D) Nature of opportunities, resources, and infrastructure.

85. Which of the following correctly pairs the type of entrepreneur with their defining characteristic?
(A) Innovative Entrepreneur - Resists change
(B) Imitative Entrepreneur - Cautious and skeptical
(C) Fabian Entrepreneur - Adopts successful ideas from others
(D) Drone Entrepreneur - Introduces new combinations

86. Match the following sections of a business plan in List-I with their content in List-II.
List I: (Section of Business Plan)
P. Executive Summary
Q. Marketing Plan
R. Operations Plan
S. Financial Plan
List II: (Content)
1. Describes daily business activities, location, and equipment
2. Includes projected income statements, balance sheets, and cash flow statements
3. A concise overview of the entire business plan
4. Outlines pricing strategy, promotion, and distribution channels
Codes:
(A) P-1, Q-2, R-4, S-3
(B) P-3, Q-4, R-1, S-2
(C) P-3, Q-1, R-4, S-2
(D) P-2, Q-3, R-1, S-4

87. Which of the following is an example of an internal cause of industrial sickness?
(A) Recession in the economy
(B) Scarcity of raw materials
(C) Changes in tax laws
(D) Inefficient management and diversion of funds

88. The entrepreneurial competency of 'Information Seeking' is best demonstrated by which action?
(A) Actively consulting experts and conducting market research to understand a problem.
(B) Sticking to one's own opinion regardless of new data.
(C) Relying solely on intuition to make decisions.
(D) Waiting for information to be provided by others.

89. Consider the following characteristics of Micro and Small Scale Industries in India:
i They are typically capital-intensive.
ii They are labor-intensive and provide large employment.
iii They contribute significantly to exports.
iv They operate only in urban areas.
v They help in decentralization of industrial activity.
Which of the above statements are correct?
(A) i, iii and iv only
(B) ii, iii and v only
(C) i, iv and v only
(D) ii, iv and v only

90. The concept of "creative destruction," where new innovations dismantle established industries and business models, is central to the entrepreneurial theory of:
(A) Joseph Schumpeter
(B) Peter Drucker
(C) Israel Kirzner
(D) David McClelland

91. Read the following statements regarding the process of intrapreneurship and choose the correct option.

Downloaded from www.pdf.tube

Statement I: The process of intrapreneurship thrives in a bureaucratic and rigid corporate culture.
Statement II: A successful intrapreneur, also known as a corporate entrepreneur, often acts as a champion for their project within the firm.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is incorrect, but Statement II is correct.
(D) Statement I is correct, but Statement II is incorrect.

92. What is the primary objective of a 'Technical Analysis' in a business plan?
(A) To forecast sales and revenue.
(B) To assess the operational viability of the business idea.
(C) To determine the legal structure of the firm.
(D) To analyze the personality of the entrepreneur.

93. The government promotes rural entrepreneurship primarily to:
(A) Increase urbanization.
(B) Compete with international technology firms.
(C) Generate local employment and utilize local resources.
(D) Promote imports of consumer goods.

94. Which of the following is LEAST likely to be a source for identifying business opportunities?
(A) Market research reports and industry publications.
(B) Customer feedback and complaints.
(C) Technological breakthroughs.
(D) Maintaining the exact same business operations as last year.

95. In India, micro and small enterprises are officially defined based on:
(A) The investment in plant and machinery or equipment.
(B) The number of employees.
(C) The volume of annual profit.
(D) The geographical location of the unit.

96. Which of the following is a key step in the rehabilitation process for a sick SSI unit?
(A) Increasing the tax burden on the unit.
(B) A detailed diagnostic study to identify the causes of sickness.
(C) Immediately blacklisting the promoters from future loans.
(D) Closing down all communication with banks and creditors.

NODIA

97. An entrepreneur starts a business manufacturing bags from discarded plastic waste. This is an example of an opportunity created from:
(A) A political change
(B) A social and environmental trend
(C) A technological shift
(D) A legal loophole

98. Which of the following statements about the role of financial institutions in supporting small industries is INCORRECT?
(A) Micro Finance Institutions focus on providing large, long-term infrastructure loans.
(B) Commercial banks provide essential working capital loans.
(C) SIDBI acts as an apex body for refinancing and promotion.
(D) Cooperative banks cater to the credit needs of rural and semi-urban entrepreneurs.

99. Consider the following statements defining the characteristics of the entrepreneurial development process:
i It is a structured process that can be learned and developed.
ii It is solely dependent on innate, inborn talent.
iii It involves a continuous cycle of opportunity seeking, planning, and execution.
iv The process terminates once the business achieves break-even.
Which of the above statements are correct?
(A) i and iii only
(B) ii and iv only
(C) i, ii, and iii only
(D) ii, iii, and iv only

100. Harvey Leibenstein's theory of entrepreneurship focuses on the entrepreneur's role as a:
(A) 'Creative destroyer' who introduces radical

innovations.
(B) 'Risk-bearer' who deals with uncertainty.
(C) 'Alert individual' who spots opportunities.
(D) 'Gap-filler' who improves efficiency (X-efficiency).

101. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): The government of India has launched various schemes to promote women entrepreneurship.
Reason (R): Promoting women entrepreneurship leads to economic empowerment of women and contributes to overall economic growth and social development.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

102. An individual leaves a high-paying job to start a new venture because she is frustrated with the slow decision-making and bureaucracy in her company. This is an example of entrepreneurship driven by a:
(A) Pull factor
(B) Push factor
(C) Legal factor
(D) Technological factor

103. The primary function of Market Analysis in a feasibility study is to:
(A) Design the factory layout.
(B) Estimate the project costs and profitability.
(C) Determine the most suitable legal form of organization.
(D) Assess the demand for the product or service and analyze competition.

104. Match the following entrepreneur types in List-I with their attitudes towards change in List-II, based on Clarence Danhof's classification.
List I: (Entrepreneur Type)
P. Innovative
Q. Imitative
R. Fabian
S. Drone
List II: (Attitude towards Change)
1. Skeptical and Cautious
2. Resists Change
3. Adopts Proven Innovations
4. Introduces New Concepts
Codes:
(A) P-4, Q-3, R-1, S-2
(B) P-3, Q-4, R-2, S-1
(C) P-4, Q-1, R-3, S-2
(D) P-2, Q-3, R-1, S-4

105. "A written document describing the nature of the business, the sales and marketing strategy, and the financial background, containing a projected profit and loss statement" is a description of a:
(A) Feasibility Report
(B) Annual Report
(C) Business Plan
(D) Memorandum of Association

106. Read the following statements regarding business innovation and choose the correct option.
Statement I: Innovation in business is limited to the development of new products only.
Statement II: A new way of organizing work-flows or a new marketing method are also considered types of business innovations.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is incorrect, but Statement II is correct.
(D) Statement I is correct, but Statement II is incorrect.

107. Which of the following would be considered a 'Rehabilitation' measure for a sick small-scale industry?
(A) Imposing a penalty on the promoter.
(B) Initiating immediate legal proceedings for winding up.
(C) Blacklisting the company from all future government contracts.
(D) Providing a moratorium on loan repayment and restructuring the debt.

Click Here to Buy book on Amazon

(C) The Financial analysis
(D) The Legal analysis

145. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): Micro-finance has emerged as a powerful tool for poverty alleviation and women's empowerment.
Reason (R): By providing access to credit, micro-finance enables the poor to start small businesses, generate income, and gain financial independence, often leveraging the social collateral of Self-Help Groups (SHGs).
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

146. Which of the following is a measure taken by the government to promote small scale industries?
(A) Establishment of industrial estates and sheds.
(B) Imposition of high excise duties on SSI products.
(C) Encouraging imports of goods produced by SSIs.
(D) Making bank credit to SSIs more difficult.

147. Which of the following is considered an external cause for sickness in a small industry?
(A) Poor project implementation
(B) Inefficient working capital management
(C) Unforeseen shortage of a critical raw material in the market
(D) Lack of marketing skills in the management team

148. Match the following entrepreneurial concepts in List-I with their descriptions in List-II.
List I: (Concept)
P. Entrepreneurial Competency
Q. Intrapreneur
R. Business Plan
S. Feasibility Analysis
List II: (Description)
1. A roadmap for business execution
2. An employee who promotes innovation within a firm
3. A preliminary test of a business idea's viability
4. A set of skills and traits for venture creation and success
Codes:
(A) P-1, Q-3, R-2, S-4
(B) P-4, Q-2, R-1, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-1, R-2, S-3

149. An entrepreneur who is skeptical about new changes and adopts them only when fear of loss of market share is great, is called a(n):
(A) Innovative entrepreneur
(B) Imitative entrepreneur
(C) Fabian entrepreneur
(D) Drone entrepreneur

NODIA

150. Consider the following statements regarding the development of entrepreneurial competencies:
i They are fixed at birth and cannot be changed.
ii EDPs (Entrepreneurship Development Programmes) play a crucial role.
iii Key competencies include initiative, problem-solving, and persistence.
iv Competency development is a one-time event, not a continuous process.
v It involves changing one's mindset and acquiring new skills.
Which of the above statements are correct?
(A) i, ii, and iii only
(B) ii, iii, and v only
(C) i, iv, and v only
(D) ii, iv, and v only

151. Read the following statements regarding the audience for a business plan and choose the correct option.
Statement I: The primary audience for a business plan is the entrepreneur themselves.
Statement II: Bankers and investors are key external audiences for a business plan, as they use it to make funding decisions.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.

leadership, leading to high opportunity cost.
Which of the above statement(s) is/are correct?
(A) i, ii, and iii only
(B) i, iii, and iv only
(C) ii, iv, and v only
(D) i, ii, and v only

117. The primary purpose of conducting a financial feasibility analysis is to:
(A) Determine the best location for the business.
(B) Analyze the demographic profile of the target market.
(C) Assess the overall financial viability and potential for return on investment.
(D) Finalize the marketing and advertising budget.

118. Which of the following is a key role of Commercial Banks in supporting SSIs?
(A) Providing venture capital
(B) Offering working capital finance
(C) Formulating industrial policy
(D) Conducting entrepreneurship development programs

119. A business idea is considered an opportunity when:
(A) It is something the entrepreneur is passionate about.
(B) It is complex and difficult to implement.
(C) It has failed for many others before.
(D) It is timely, attractive, and creates value.

120. Which of the following is NOT a form of institutional finance for small industries?
(A) Funds from unregulated private money lenders
(B) Loans from commercial banks
(C) Credit from cooperative banks
(D) Assistance from SIDBI

121. The term 'Creative Destruction' coined by Joseph Schumpeter refers to:
(A) The failure of a new business venture.
(B) The environmental damage caused by industrialization.
(C) The process by which new innovations replace outdated ones, leading to economic change.
(D) The hostile takeover of a competing firm.

NODIA

122. Read the following statements regarding rural entrepreneurship and choose the correct option.
Statement I: Rural entrepreneurship can help in reducing disguised unemployment in the agriculture sector.
Statement II: Enterprises in rural areas are typically large-scale, capital-intensive, and use imported technology.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

123. The first step in developing a business plan is typically:
(A) Writing the detailed financial projections.
(B) Formulating a clear and concise executive summary (though written last, it is planned first).
(C) Designing the marketing brochure.
(D) Defining the business concept, vision, and mission.

124. Match the following screening aspects in List-I with the questions they address in List-II.
List I: (Screening Aspect)
P. Market Feasibility
Q. Technical Feasibility
R. Financial Feasibility
S. Entrepreneurial Fit
List II: (Question Addressed)
1. Can the product be made with available technology?
2. Is the entrepreneur passionate and skilled enough to run this business?
3. Is there a large enough market for the product?
4. Can the business generate adequate returns?
Codes:
(A) P-1, Q-3, R-2, S-4
(B) P-3, Q-2, R-4, S-1
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-1, R-3, S-2

125. The "Need for Achievement" (n-Ach), "Need for Power" (n-Pow), and "Need for Affiliation"

75. Arrange the following financial institutions based on their primary focus, from micro-level financing to apex-level policy and refinancing for small industries.
1. SIDBI (Small Industries Development Bank of India)
2. Commercial Bank Branch
3. Micro Finance Institution (MFI)

Choose the correct sequence:
(A) 1, 2, 3
(B) 3, 2, 1
(C) 2, 3, 1
(D) 3, 1, 2

76. What is the most appropriate description of a 'Drone Entrepreneur'?
(A) One who introduces new technologies and ventures.
(B) One who refuses to adopt changes, leading to business decline.
(C) One who is cautious and follows others only when necessary.
(D) One who copies successful business models.

77. Read the following statements regarding feasibility studies and choose the correct option.
Statement I: The technical analysis in a feasibility study determines if the technology required for the business is available and appropriate.
Statement II: The financial analysis in a feasibility study evaluates the project's potential for profitability.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

78. Which of the following is NOT a function of the Small Industries Development Bank of India (SIDBI)?
(A) Refinancing of loans extended by primary lending institutions.
(B) Providing seed capital and venture capital assistance.
(C) Coordinating the functions of institutions engaged in similar activities.
(D) Direct lending to large multinational corporations.

79. Consider the following statements about the process of identifying business opportunities:
i Opportunities can arise from technological changes.
ii Political and regulatory changes can create new business opportunities.
iii Observing customer complaints about existing products can lead to an opportunity.
iv A business opportunity is the same as a business idea.
v All business ideas represent viable opportunities.

Which of the above statements is/are correct?
(A) i, ii, and iii only
(B) iii, iv, and v only
(C) i, iv, and v only
(D) i, ii, and v only

80. Rehabilitation of a sick industrial unit is a process that aims to:
(A) Punish the promoters for mismanagement.
(B) Make the unit viable and profitable again.
(C) Sell the unit's assets at the earliest.
(D) Transfer the unit's ownership to the government.

81. The theory that links entrepreneurship with religious beliefs and the "protestant ethic" was proposed by:
(A) Joseph Schumpeter
(B) Max Weber
(C) David McClelland
(D) Israel Kirzner

82. In the context of women entrepreneurship, what does the term 'pull factors' refer to?
(A) Factors that attract them towards entrepreneurship, such as the desire for independence and achievement.
(B) Negative circumstances like unemployment that force them into business.
(C) Government regulations that hinder business startups.
(D) Family pressure to stay at home.

83. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.

Downloaded from www.pdf.tube

134. Which of the following is an example of forest-based rural entrepreneurship?
(A) A unit making computer chips.
(B) A venture collecting and selling honey and herbs from a forest.
(C) A dairy farming business.
(D) A software consulting firm.

135. In Clarence Danhof's classification, which type of entrepreneur is most likely to contribute to "creative destruction"?
(A) Fabian
(B) Drone
(C) Imitative
(D) Innovative

136. The process of assessing the availability of raw materials, the suitability of production technology, and the efficiency of the plant layout falls under:
(A) Technical Feasibility
(B) Market Feasibility
(C) Financial Feasibility
(D) Economic Feasibility

137. Which of the following is NOT a typical problem faced by small-scale industries in India?
(A) Problem of finance and credit
(B) Lack of access to global markets
(C) Shortage of unskilled labor
(D) Technological obsolescence

138. The main difference between a business idea and a business opportunity is that an opportunity is:
(A) A validated idea that has real commercial potential.
(B) More abstract and less defined.
(C) The very first thought about a potential business.
(D) Cheaper to implement than an idea.

139. Consider the following statements describing the challenges faced by women entrepreneurs:
i They often struggle to be taken seriously by vendors, customers, and even employees.
ii They have better access to informal networks of credit than men.
iii Balancing the "dual role" of a homemaker and a businessperson is a significant issue.
iv They face fewer societal and cultural barriers compared to men.
Which of the above statement(s) is/are correct?
(A) i and iii only
(B) ii and iv only
(C) i, ii, and iii only
(D) i, iii, and iv only

140. Read the following statements regarding SIDBI and choose the correct option.
Statement I: The primary role of SIDBI is to provide direct loans to individual home buyers.
Statement II: SIDBI functions as the principal financial institution for the promotion, financing, and development of the MSME sector.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is incorrect, but Statement II is correct.
(D) Statement I is correct, but Statement II is incorrect.

141. The first stage in the process of entrepreneurship is:
(A) Arranging finance
(B) Launching the enterprise
(C) Idea generation and opportunity spotting
(D) Hiring employees

142. A manufacturing company reorganizes its assembly line to reduce wastage and production time. This is best described as:
(A) Product innovation
(B) Marketing innovation
(C) Financial innovation
(D) Process innovation

143. Which of the following is a key characteristic of intrapreneurs?
(A) They are dreamers who do, taking hands-on responsibility for creating innovation.
(B) They are highly risk-averse and avoid new projects.
(C) They operate outside the formal organizational structure.
(D) They own the company they work for.

144. In feasibility analysis, the study of demand forecasting, competition, and pricing is part of:
(A) The Technical analysis
(B) The Market analysis

NODIA

(n-Aff) are central components of which theory of entrepreneurship?
(A) Schumpeter's Theory of Innovation
(B) McClelland's Theory of Needs
(C) Kirzner's Theory of Alertness
(D) Leibenstein's X-Efficiency Theory

126. A key feature of micro-finance is the concept of 'group lending' to Self-Help Groups (SHGs). The primary reason for this is:
(A) To increase the administrative burden on the lending institution.
(B) To ensure that loans are used only for consumption purposes.
(C) To comply with international banking regulations.
(D) To use peer pressure as a substitute for traditional collateral.

127. Which of the following statements about Intrapreneurship is incorrect?
(A) The intrapreneur personally bears the full financial risk of project failure.
(B) It encourages innovation and creativity within an organization.
(C) It can lead to the development of new products or services for the company.
(D) It requires support and sponsorship from the company's management.

128. In the context of promoting SSIs, what is the role of a District Industries Centre (DIC)?
(A) To provide financial support exclusively to the largest national firms.
(B) To offer a single window for approvals and support to entrepreneurs.
(C) To function as a local exchange for the trading of small sector equity.
(D) To regulate the development of international trade and tariff policies.

129. Consider the following potential sources of business ideas for an entrepreneur:
i Brainstorming sessions.
ii Observing market trends and consumer needs.
iii Reading trade publications and research reports.
iv Personal hobbies and interests.
v Copying a competitor's product exactly without any improvement.
Which of the above statement(s) is/are correct?
(A) i and ii only
(B) i, ii, iii and iv only
(C) v only
(D) i, ii and v only

130. One of the primary reasons for the failure of many small industries, termed as sickness, is 'diversion of funds'. What does this mean?
(A) Using funds borrowed for the business for personal or other unrelated purposes.
(B) Investing profits back into the business for growth.
(C) Paying off business loans ahead of schedule.
(D) Allocating funds for employee welfare schemes.

131. The entrepreneur's ability to take calculated risks after weighing the potential rewards against the potential losses is a key competency known as:
(A) Persistence
(B) Information seeking
(C) Risk-taking orientation
(D) Self-confidence

132. A company changes its logo, tagline, and overall brand image to appeal to a younger demographic. This is an example of:
(A) Product Innovation
(B) Process Innovation
(C) Organizational Innovation
(D) Marketing Innovation

133. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): A business plan is primarily an internal document and has no use for external stakeholders.
Reason (R): External stakeholders like investors, bankers, and venture capitalists rely heavily on the business plan to evaluate the potential of a venture before committing funds.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

Click Here to Buy book on Amazon

(D) Statement I is incorrect, but Statement II is correct.

152. What is the fundamental difference between an entrepreneur and a manager?
(A) An entrepreneur is primarily a risk-taker and innovator, while a manager is primarily an administrator of existing resources.
(B) A manager owns the business, while an entrepreneur is an employee.
(C) Entrepreneurs only work in small businesses, while managers only work in large corporations.
(D) There is no fundamental difference between the two roles.

153. A plan for the rehabilitation of a sick industrial unit is prepared after:
(A) The unit has been making profits for three consecutive years.
(B) The unit has been declared bankrupt by a court of law.
(C) A diagnostic study has been conducted to determine the causes of sickness and its revival potential.
(D) The government decides to nationalize the unit.

154. Which type of innovation involves a significant change in the aesthetic design or packaging of a product to make it more attractive to consumers?
(A) Marketing Innovation
(B) Organizational Innovation
(C) Process Innovation
(D) Technological Innovation

155. Arrange the following actors in the small industry finance ecosystem in order of their typical operational level, from grassroots to the national apex level.
1. SIDBI
2. Self-Help Group (SHG)
3. Commercial Bank
4. NABARD (in the context of rural non-farm sector)

Choose the correct sequence:
(A) 2, 3, 4, 1
(B) 2, 4, 3, 1
(C) 1, 4, 3, 2
(D) 3, 2, 1, 4

156. Which of the following is a primary objective of Rural Entrepreneurship?
(A) To concentrate industrial development in major cities.
(B) To create non-farm opportunities and check migration to urban areas.
(C) To exclusively promote high-tech industries.
(D) To increase the country's import dependence.

157. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): A feasibility analysis is more comprehensive and detailed than a business plan.
Reason (R): A business plan is a document that is developed after the business idea has been deemed feasible, and it outlines the plan for execution.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

158. The process of identifying new business opportunities by studying changes in demographics, social values, and consumer lifestyles is known as:
(A) Technological scanning
(B) Financial auditing
(C) Competitor benchmarking
(D) Trend analysis

159. Consider the following statements about the Entrepreneurial Process:
i It is a linear process with a definite start and end point.
ii It involves a continuous cycle of opportunity recognition, resource marshalling, and value creation.
iii The process is rigid and does not allow for adaptation to changing market conditions.
iv Managing growth and navigating crises are integral parts of the later stages of the process.

Which of the above statement(s) is/are correct?
(A) i and iii only

NODIA

177. Read the following statements regarding business opportunities and choose the correct option.
Statement I: A business opportunity must be anchored in a product or service that creates or adds value for its buyer.
Statement II: All business ideas, regardless of their value proposition, constitute viable business opportunities.
(A) Both Statement I and Statement II are true.
(B) Both Statement I and Statement II are false.
(C) Statement I is true, but Statement II is false.
(D) Statement I is false, but Statement II is true.

178. What is the most significant contribution of Micro and Small Scale Industries to the Indian economy?
(A) Generating large-scale employment with low capital investment.
(B) Monopolizing the technology sector.
(C) Primarily contributing to the nation's foreign exchange reserves through service exports.
(D) Exclusively serving the needs of the urban elite.

179. Consider the following statements accurately describing the role of an intrapreneur:
i Acts like an entrepreneur within a large organization.
ii Is not constrained by organizational procedures and policies.
iii Champions a new idea from conception to fruition.
iv Bears personal financial liability for the project's failure.
v Utilizes the resources of the corporation to launch new ventures.
Which of the above statement(s) is/are correct?
(A) i, ii, and iv only
(B) i, iii, and v only
(C) ii, iii, and iv only
(D) i, iv, and v only

180. The process of 'Rehabilitation' for a sick SSI unit may involve all of the following EXCEPT:
(A) A waiver of a portion of the loan interest.
(B) Infusion of fresh capital for modernization.
(C) Technical and managerial assistance.
(D) Immediate and forced sale of all assets below market value.

181. Israel Kirzner's theory of entrepreneurship highlights the importance of:
(A) The entrepreneur's ability to bear risk.
(B) The entrepreneur's social background and religious values.
(C) The entrepreneur's alertness to disequilibrium and profit opportunities.
(D) The entrepreneur's need for personal achievement.

182. A key component of the 'Technical Analysis' in a feasibility study is the evaluation of:
(A) Customer demographics
(B) Appropriate technology and machinery
(C) Projected profitability
(D) Competitor pricing

183. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): The government's role in promoting SSI is critical for fostering a balanced and inclusive industrial structure.
Reason (R): SSIs play a vital role in employment generation, promoting regional development, and nurturing entrepreneurship, but they face disadvantages against large industries, necessitating government support.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

184. A prospective entrepreneur is conducting a study to estimate the demand for a new type of organic fertilizer and to understand the pricing strategies of existing competitors. This is an example of:
(A) Market Analysis
(B) Financial Analysis
(C) Technical Analysis
(D) Organizational Analysis

185. Which of the following is NOT a characteristic of a Drone Entrepreneur?
(A) They are laggards in adopting new technology.
(B) They often incur losses.

Downloaded from www.pdf.tube

(D) ii, iv, and v only

168. In the context of a business plan, the 'Market Analysis' section should ideally address all of the following EXCEPT:
(A) The detailed manufacturing process of the product.
(B) The size and growth rate of the target market.
(C) The strengths and weaknesses of key competitors.
(D) The profile of the target customer.

169. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): Rural entrepreneurship often faces greater challenges in marketing their products compared to urban enterprises.
Reason (R): This is due to poor infrastructure, lack of access to wider markets, and exploitation by middlemen.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

170. An entrepreneur's belief in their own ability to succeed and overcome challenges is best described as the competency of:
(A) Self-confidence
(B) Concern for high quality of work
(C) Systematic planning
(D) Persuasion

171. The final stage of the business idea screening process, before committing to a full business plan, is often a:
(A) Brainstorming session
(B) Company registration
(C) Product launch
(D) Detailed feasibility study

172. Which of the following is a primary characteristic of a 'Fabian Entrepreneur'?
(A) Eager to introduce revolutionary products.
(B) Highly cautious and skeptical, adopting innovations only when it is essential for survival.
(C) Quick to adopt successful innovations from competitors.
(D) Completely resistant to change, even if it leads to losses.

173. One of the main reasons for promoting women entrepreneurship is:
(A) To ensure that men have fewer competitive business opportunities in the sector.
(B) Because women are scientifically proven to be better at managing complex finances.
(C) To tap into underutilized economic potential and promote overall gender equality.
(D) To fulfill basic international treaty obligations and regulatory requirements only.

174. In the context of Sickness in Small Industries, an example of a symptom is:
(A) Regular payment of statutory dues.
(B) An increase in market share.
(C) High credit rating from banks.
(D) A continuous decline in production relative to capacity.

175. Arrange the following elements of a business plan in a logical flow (though the executive summary is often written last).
1. Financial Projections
2. Company Description
3. Market Analysis
4. Executive Summary
5. Operations Plan

Choose the correct option:
(A) 4, 2, 3, 5, 1
(B) 1, 2, 3, 4, 5
(C) 4, 3, 2, 1, 5
(D) 2, 3, 4, 5, 1

176. Which of the following is an institutional finance provider specifically focused on agriculture and rural development, which can also support rural entrepreneurship?
(A) SEBI
(B) NABARD
(C) IRDAI
(D) EXIM Bank

NODIA

(B) ii and iv only
(C) i, ii, and iii only
(D) ii, iii, and iv only

160. An entrepreneur who brings a successful foreign fast-food chain to India, adapting its menu slightly for local tastes, is an example of a(n):
(A) Innovative Entrepreneur
(B) Imitative Entrepreneur
(C) Drone Entrepreneur
(D) Fabian Entrepreneur

161. "The Concept and Process of Technical, Market and Financial Analysis" are all components of:
(A) An annual company report
(B) A business feasibility analysis
(C) A stock market analysis
(D) A human resource audit

162. Read the following statements regarding institutional finance and choose the correct option.
Statement I: Institutional finance refers to the funds sourced from organized financial institutions as opposed to informal sources.
Statement II: Unregulated moneylenders are considered a key part of institutional finance for small industries.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

163. Sickness in an industrial unit is characterized by:
(A) High profitability and rapid growth.
(B) Continuous operational efficiency.
(C) Erosion of net worth and persistent cash losses.
(D) High employee morale and low turnover.

164. Match the following financial institutions for small businesses in List-I with their primary customers or roles in List-II.
List I: (Institution)
P. Cooperative Bank
Q. Commercial Bank
R. Micro Finance Institution
S. SIDBI
List II: (Primary Customer/Role)
1. Principal financial institution for MSME sector (refinancing, promotion)
2. Low-income individuals, Self-Help Groups (SHGs)
3. Members in a specific locality, often rural or semi-urban
4. General businesses, major provider of working capital loans
Codes:
(A) P-1, Q-2, R-3, S-4
(B) P-3, Q-4, R-2, S-1
(C) P-4, Q-3, R-1, S-2
(D) P-2, Q-1, R-4, S-3

165. A 'push' factor motivating entrepreneurship is often a result of:
(A) A desire for greater personal wealth.
(B) The identification of a highly profitable opportunity.
(C) A negative situation, such as job loss or dissatisfaction.
(D) A positive event, such as receiving an inheritance.

166. Which of the following is NOT a type of innovation as commonly classified in business?
(A) Product Innovation
(B) Personal Innovation
(C) Process Innovation
(D) Organizational Innovation

167. Consider the following features of the intrapreneurship process:
i The intrapreneur operates with complete independence from the parent company.
ii The process requires a 'product champion' to advocate for the new idea.
iii The company must have a tolerance for failure and willingness to take risks.
iv Resources for the project are often allocated through a formal or informal internal venture capital process.
v The intrapreneur bears the entire financial loss if the project fails.
Which of the above statement(s) is/are correct?
(A) i, ii, and v only
(B) ii, iii, and iv only
(C) i, iii, and v only

Click Here to Buy book on Amazon

(C) They are quick to imitate successful competitors.
(D) They resist change.

186. Match the following terms in List-I with their associated challenges or features in List-II.
List I: (Term)
P. Intrapreneurship
Q. Women Entrepreneurship
R. Rural Entrepreneurship
S. Sickness
List II: (Associated Challenge / Feature)
1. Lack of infrastructure and market linkages
2. Dual role burden and societal barriers
3. Need for corporate sanction and autonomy
4. Erosion of net worth due to persistent losses
Codes:
(A) P-1, Q-4, R-2, S-3
(B) P-3, Q-2, R-1, S-4
(C) P-3, Q-1, R-4, S-2
(D) P-2, Q-3, R-1, S-4

187. "Developing Entrepreneurial Competencies" is a process that focuses on:
(A) Providing a one-time grant to start a business.
(B) Teaching only the theoretical aspects of business management.
(C) Guaranteeing the success of any business started by the trainee.
(D) Enhancing a person's inherent traits and acquired skills for effective venturing.

188. What is the primary purpose of an 'Executive Summary' in a business plan?
(A) To provide a detailed financial history of the entrepreneur.
(B) To offer a concise and compelling overview of the entire plan, to grab the reader's interest.
(C) To give a lengthy background of the industry.
(D) To list the names of all potential employees.

189. Consider the following statements regarding Micro Finance:
i It primarily serves large corporations with multi-million dollar loans.
ii It often employs a group-lending model (e.g., Self-Help Groups).
iii The focus is on financial inclusion for the poor.
iv It is characterized by the absence of interest on loans.
v Peer pressure often substitutes for physical collateral.
Which of the above statements are correct?
(A) i, iv, and v only
(B) ii, iii, and iv only
(C) i, ii, and iii only
(D) ii, iii, and v only

190. Read the following statements regarding commercial banks and choose the correct option.
Statement I: A key role of commercial banks is to provide venture capital for high-risk startups.
Statement II: Commercial banks are a major source of working capital finance for small and medium enterprises through instruments like cash credit and overdraft.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is incorrect, but Statement II is correct.
(D) Statement I is correct, but Statement II is incorrect.

191. A cause-and-effect relationship in entrepreneurship can be seen where the 'cause' is "identifying a market need" and the 'effect' is:
(A) The development of a product or service to fulfill that need.
(B) An immediate guarantee of high profits.
(C) The bankruptcy of a competing firm.
(D) A change in government regulations.

192. Which of the following is a key objective of screening business ideas?
(A) To develop a detailed marketing plan for every idea.
(B) To filter out ideas that are impractical or have low potential, saving time and resources.
(C) To immediately start production for all generated ideas.
(D) To secure bank loans for all the ideas.

193. The concept of an intrapreneur is also known as:
(A) Sole proprietor
(B) Corporate venturer

Downloaded from www.pdf.tube

(D) Legal analysis

212. Which of the following is NOT a core entrepreneurial competency?
(A) Initiative
(B) Problem Solving
(C) Risk Taking
(D) Procrastination

213. Read the following statements regarding the entrepreneurial process and choose the correct option.
Statement I: The entrepreneurial process is random and cannot be described as a sequence of stages.
Statement II: The entrepreneurial process typically involves idea generation, opportunity evaluation, planning, resource mobilization, and managing the venture.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is incorrect, but Statement II is correct.
(D) Statement I is correct, but Statement II is incorrect.

214. The term 'Sickness' in small industries is a situation where:
(A) The industry has an abnormally high rate of employee absenteeism due to illness.
(B) The financial viability of the industrial unit is severely threatened.
(C) The factory premises fail to meet health and safety standards.
(D) The industry's products are of poor quality.

215. Arrange the following steps in the screening of business ideas chronologically.
1. Detailed Feasibility Study
2. Preliminary Evaluation against key criteria
3. Idea Generation
4. Selection of the most promising idea(s) for further analysis

Choose the correct option:
(A) 3, 2, 4, 1
(B) 1, 3, 2, 4
(C) 3, 1, 2, 4
(D) 2, 3, 1, 4

216. Which of the following is the most accurate description of a business plan?
(A) A comprehensive and dynamic roadmap that guides the entrepreneur and communicates the venture's potential.
(B) A legally binding document that mandates the entrepreneur to achieve specific levels of annual profit.
(C) A static organizational document that, once officially written, should never be modified or updated.
(D) A brief, one-page executive summary of a business idea without any specific financial or market details.

217. A primary difference between 'pull' and 'push' factors in women entrepreneurship is that:
(A) 'Pull' factors are negative and 'push' factors are positive.
(B) 'Pull' factors are economic and 'push' factors are social.
(C) 'Pull' factors involve ambition, while 'push' factors involve negative circumstances.
(D) There is no fundamental difference between 'pull' and 'push' factors.

NODIA

218. An employee at a car company suggests and develops a new, more efficient fuel injection system, and the company adopts it. This employee is acting as an:
(A) Intrapreneur
(B) Entrepreneur
(C) Manager
(D) Auditor

219. Which of the following is NOT a typical reason for industrial sickness?
(A) Diversion of funds
(B) Wrong location
(C) Managerial incompetence
(D) High market demand

220. Consider the following potential functions of institutional finance for small industries:
i To provide term loans for acquiring fixed assets.
ii To offer working capital for daily operations.
iii To provide venture capital for innovative startups.
iv To offer personal loans to the entrepreneurs for their household expenses.

(D) Statement I is correct, but Statement II is incorrect.

203. Which of the following is an example of a financial institution providing micro-finance?
(A) A large investment bank underwriting an IPO.
(B) The International Monetary Fund (IMF) lending to a country.
(C) A commercial bank providing a mortgage for a large property.
(D) A Self-Help Group (SHG) bank linkage program.

204. Match the following innovation types in List-I with their examples in List-II.
List I: (Innovation Type)
P. Product
Q. Process
R. Marketing
S. Organizational
List II: (Example)
1. Adopting a franchise model for distribution
2. Introducing a new supply chain management software
3. Launching a biodegradable version of an existing product
4. Restructuring departments to improve collaboration
Codes:
(A) P-1, Q-2, R-4, S-3
(B) P-3, Q-2, R-1, S-4
(C) P-3, Q-1, R-4, S-2
(D) P-2, Q-3, R-1, S-4

205. The first step in the rehabilitation of a sick industrial unit is:
(A) The infusion of new funds.
(B) The change of management.
(C) The detection of sickness at an early stage.
(D) The sale of assets.

206. 'Creating and identifying opportunities' for a new business venture can be triggered by:
(A) A desire to maintain the status quo.
(B) A strict adherence to old business methods.
(C) The absence of any social or technological change.
(D) Observing a gap between what is currently available and what consumers want.

207. Consider the following reasons that contribute to sickness in small industries:
i Efficient management and strong financial controls.
ii Lack of demand for the product.
iii Outdated technology and machinery.
iv Abundant availability of cheap raw materials.
v Poor marketing strategy.
Which of the above statement(s) is/are correct?
(A) i, ii, and iii only
(B) ii, iii, and v only
(C) i, iv, and v only
(D) ii, iv, and v only

208. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): The business plan is a critical document for securing external funding.
Reason (R): A business plan is a legal document that guarantees a minimum 10% annual return to all investors.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

209. The primary role of SIDBI is to provide a(n):
(A) Regulator of the stock market.
(B) Apex development bank for the MSME sector.
(C) Commercial bank for the general public.
(D) Insurance provider for industries.

210. A woman starting a small tailoring unit in her village to support her family is an example of:
(A) Women and Rural entrepreneurship
(B) High-tech entrepreneurship
(C) Corporate intrapreneurship
(D) International entrepreneurship

211. In a feasibility analysis, estimating the funds required for fixed assets and working capital is part of the:
(A) Market analysis
(B) Technical analysis
(C) Financial analysis

Click Here to Buy book on Amazon

(C) Angel investor
(D) Liquidator

194. From the perspective of a bank, which of the following is an early warning signal of industrial sickness?
(A) Frequent requests for exceeding cash credit limits and defaults in payment.
(B) Regular and timely payment of loan installments.
(C) A growing order book and increasing sales.
(D) A rising net worth and profitability.

195. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): A business plan acts as a vital communication tool for entrepreneurs.
Reason (R): It articulates the business's vision, strategy, market, and financial forecasts to potential investors, partners, and employees.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

196. An enterprise is classified as a "Micro Enterprise" or "Small Enterprise" in India based on criteria laid down in the:
(A) Companies Act, 2013
(B) Indian Contract Act, 1872
(C) SEBI Act, 1992
(D) MSMED Act, 2006

197. Which of the following is an example of an Organizational Innovation?
(A) Launching a new version of a mobile phone.
(B) Reducing production costs through a new manufacturing technique.
(C) Implementing a new performance-based reward system for employees.
(D) Creating a new advertising campaign.

198. Consider the following statements about the types of entrepreneurs:
i Innovative entrepreneurs are the agents of 'creative destruction'.
ii Imitative entrepreneurs are risk-averse and never adopt new ideas.
iii Fabian entrepreneurs are cautious and adopt changes only when pressurized.
iv Drone entrepreneurs are laggards who resist change, often to their own detriment.
Which of the above statement(s) is/are correct?
(A) i, ii, and iii only
(B) i, iii, and iv only
(C) ii and iv only
(D) i and ii only

199. The main purpose of a feasibility analysis is to determine:
(A) "How to do it?"
(B) "Who will do it?"
(C) "When should we exit?"
(D) "Can we do it and is it worth doing?"

200. What is a primary challenge for rural entrepreneurship?
(A) Difficulties in accessing larger markets and distribution channels.
(B) Over-availability of venture capital.
(C) Lack of local raw materials.
(D) Highly skilled and abundant local workforce.

NODIA

201. The entrepreneurial competency of 'Persistence' is demonstrated when an entrepreneur:
(A) Gives up easily after the first failure.
(B) Avoids difficult tasks and challenges.
(C) Takes repeated actions to overcome an obstacle or setback.
(D) Waits for others to solve problems.

202. Read the following statements regarding the process of intrapreneurship and choose the correct option.
Statement I: The process of intrapreneurship involves the employee leaving the organization to start their own firm.
Statement II: The intrapreneurial process involves conceiving, developing, and implementing a new idea or venture within an existing corporate framework.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is incorrect, but Statement II is correct.

v To provide refinancing facilities to lending institutions.

Which of the above statements are correct?
(A) i, ii, iii, and v only
(B) i, ii, and iv only
(C) iii, iv, and v only
(D) i, iv, and v only

221. The theory of entrepreneurship that emphasizes the entrepreneur's role in performing new combinations of factors of production is attributed to:
(A) David McClelland
(B) Max Weber
(C) Joseph Schumpeter
(D) Israel Kirzner

222. Read the following statements regarding the government's role in promoting Small Scale Industries (SSI) and choose the correct option.
Statement I: The government plays a passive role in the promotion of SSIs in India.
Statement II: The government's role includes policy formulation, providing financial assistance, and developing infrastructure to support SSIs.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is incorrect, but Statement II is correct.
(D) Statement I is correct, but Statement II is incorrect.

223. What is the main objective of creating a business plan?
(A) To provide a clear path for the business and attract investors.
(B) To meet a government formality.
(C) To create a historical record of the business.
(D) To serve as a marketing tool for customers.

224. Match the following entrepreneurial competencies in List-I with their behavioral indicators in List-II.
List I: (Competency)
P. Initiative
Q. Persuasion
R. Information Seeking
S. Problem Solving
List II: (Behavioral Indicator)
1. Takes action before being asked or forced by events.
2. Personally investigates to find answers to business questions.
3. Finds alternative strategies to overcome obstacles.
4. Convinces others to support a business idea.

Codes:
(A) P-1, Q-4, R-2, S-3
(B) P-4, Q-1, R-3, S-2
(C) P-1, Q-3, R-2, S-4
(D) P-2, Q-4, R-1, S-3

225. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): Rural entrepreneurship is limited to agricultural activities only.
Reason (R): Rural entrepreneurship can encompass a wide range of activities, including services, small manufacturing, and handicrafts, that are not directly related to farming.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

226. A 'nursing program' for a sick industrial unit refers to a plan for its:
(A) Gradual revival and rehabilitation
(B) Liquidation
(C) Takeover by a large company
(D) Sale to a foreign investor

227. The creation of a new distribution channel (e.g., shifting from retail stores to a direct-to-consumer online model) is an example of:
(A) Product Innovation
(B) Process Innovation
(C) Marketing Innovation
(D) Organizational Innovation

228. Which of the following is NOT a source of institutional finance for small industries?
(A) SIDBI
(B) Commercial Banks
(C) Cooperative Banks

Downloaded from www.pdf.tube

(D) Uncles and Aunts

229. Consider the following factors that are considered during the preliminary screening of a business idea:
i The entrepreneur's personal interests and skills.
ii A detailed 10-year cash flow projection.
iii The overall potential of the idea (market size, profitability).
iv The legal registration documents of the company.
v A preliminary check on the feasibility.
Which of the above statements are correct?
(A) i, iii, and v only
(B) ii, iii, and v only
(C) i, ii, and iv only
(D) ii, iv, and v only

230. The final step in the entrepreneurship development process, after launching and managing, is often considered to be:
(A) Idea generation
(B) Growth and potential harvesting of the venture
(C) Feasibility analysis
(D) Securing the first loan

231. An entrepreneur who is unwilling to take risks and is content with the current level of profitability, refusing to adopt new methods, is known as a(n):
(A) Innovative entrepreneur
(B) Imitative entrepreneur
(C) Fabian entrepreneur
(D) Drone entrepreneur

232. Read the following statements regarding feasibility analysis and choose the correct option.
Statement I: The technical feasibility of a project assesses its ability to generate profits.
Statement II: The financial feasibility of a project assesses the availability of technology and operational viability.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is correct, but Statement II is incorrect.
(D) Statement I is incorrect, but Statement II is correct.

233. The primary role of micro-finance is to:
(A) Fund large infrastructure projects.
(B) Regulate the banking sector.
(C) Provide small-scale financial services to the poor.
(D) Manage the country's foreign exchange.

234. In the context of business innovation, what does 'Process Innovation' refer to?
(A) The implementation of a new or significantly improved production or delivery method.
(B) The introduction of a new or significantly improved product.
(C) The implementation of a new marketing method.
(D) The implementation of a new organizational method.

235. Arrange the following classifications of entrepreneurs in order from most proactive to most reactive regarding innovation.
1. Drone
2. Fabian
3. Imitative
4. Innovative
Choose the correct option:
(A) 4, 3, 2, 1
(B) 1, 2, 3, 4
(C) 4, 2, 3, 1
(D) 3, 4, 1, 2

NODIA

236. What is the most common form of assistance provided by commercial banks to small scale industries?
(A) Equity participation
(B) Working capital loans
(C) Venture capital
(D) Policy guidance

237. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): A well-crafted business plan reduces all risks associated with a new venture to zero.
Reason (R): A business plan is a planning tool that helps identify and mitigate risks, but it cannot

eliminate them entirely due to the inherent uncertainty of the business environment.
(A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

238. A significant challenge often cited by women entrepreneurs is:
(A) An overabundance of government support schemes.
(B) A lack of domestic responsibilities.
(C) Being taken too seriously in business negotiations.
(D) Difficulty in accessing finance due to lack of collateral.

239. Consider the following statements about the process of developing entrepreneurial competencies:
i It is a lifelong learning process.
ii It can be facilitated through training and mentorship.
iii It focuses only on developing financial skills.
iv It aims to build a positive psychological mindset towards entrepreneurship.
v Once developed, a competency can never be lost.
Which of the above statements are correct?
(A) i, ii, and iv only
(B) ii, iii, and v only
(C) i, iii, and iv only
(D) iii, iv, and v only

240. The term "Intrapreneur" was coined to describe:
(A) Entrepreneurs who operate in international markets.
(B) Individuals who exhibit entrepreneurial behavior within a large organization.
(C) Entrepreneurs who inherit their family business.
(D) Entrepreneurs who start their business in a rural area.

241. A feasibility analysis is conducted to:
(A) Prepare the final tax returns for the company.
(B) Determine the viability of a business idea before committing major resources.
(C) Hire the senior management team.
(D) Design the company's logo and brand identity.

242. Read the following statements regarding industrial sickness and choose the correct option.
Statement I: Sickness in small industries is often a sudden event with no prior warning signs.
Statement II: Continuous cash losses, fall in production, and irregular payment to creditors are early symptoms of industrial sickness.
(A) Both Statement I and Statement II are correct.
(B) Both Statement I and Statement II are incorrect.
(C) Statement I is incorrect, but Statement II is correct.
(D) Statement I is correct, but Statement II is incorrect.

243. The government's role in promoting Small Scale Industries (SSI) includes all of the following EXCEPT:
(A) Providing subsidies on power and water.
(B) Setting up District Industries Centres (DICs).
(C) Guaranteeing profits for all new SSI units.
(D) Providing marketing assistance through various agencies.

244. Match the following stages of the Entrepreneurial Process in List-I with their typical activities in List-II.
List I: (Stage)
P. Opportunity Spotting
Q. Business Plan
R. Resource Mobilization
S. Launch
List II: (Activity)
1. Arranging for finance, team, and assets
2. Commencing business operations
3. Identifying a need or a gap in the market
4. Creating a detailed document outlining execution strategy
Codes:
(A) P-1, Q-2, R-3, S-4
(B) P-3, Q-4, R-1, S-2
(C) P-3, Q-1, R-4, S-2
(D) P-2, Q-3, R-1, S-4

Click Here to Buy book on Amazon

245. An entrepreneur observes a long queue at a local bus ticket counter and decides to create a mobile app for booking bus tickets. This opportunity was identified through:
(A) A technological invention.
(B) A change in government policy.
(C) Observing a problem and an unmet need.
(D) A brainstorming session.

246. Which of the following is an example of an external cause of sickness in small industries?
(A) Poor financial planning by the entrepreneur.
(B) A nationwide economic recession.
(C) Lack of a clear business strategy.
(D) Disputes among the partners of the firm.

247. The primary purpose of a technical feasibility analysis is to answer the question:
(A) "Will customers buy our product?"
(B) "Will this business be profitable?"
(C) "Is our business idea legally permissible?"
(D) "Can we make this product with the available technology and resources?"

248. The concept of 'micro-finance' often involves:
(A) Small loans (microcredit) to individuals or groups who lack access to traditional banking.
(B) Large syndicated loans to multinational corporations.
(C) Government grants for building national highways.
(D) Foreign direct investment in the stock market.

249. Consider the following statements defining the characteristics of an intrapreneur:
i They are the legal owners of the company.
ii They are employees who are given freedom and resources to create new products.
iii They operate with the spirit of an entrepreneur within an organization.
iv They bear the full financial risk of the projects they undertake.
v They are also known as corporate entrepreneurs.
Which of the above statements are correct?
(A) i, iv, and v only
(B) ii, iii, and v only
(C) i, ii, and iii only
(D) ii, iv, and v only

250. An entrepreneur who adopts a successful innovation only after observing that it is profitable and well-established for other firms is known as a(n):
(A) Imitative Entrepreneur
(B) Drone Entrepreneur
(C) Innovative Entrepreneur
(D) Fabian Entrepreneur

Direction : Please read the following source carefully.

Entrepreneurship is a dynamic and multifaceted process centered on creating incremental wealth and value by individuals who assume the major risks in terms of equity, time, and career commitment to provide value for some product or service. This process is not a singular event but a series of interconnected stages, beginning with the identification of an opportunity, followed by the accumulation of resources, the production of goods or services, and the management of the resulting venture. Theories of entrepreneurship offer diverse explanations for this phenomenon, ranging from economic theories that focus on risk-bearing and innovation, to psychological theories that emphasize personality traits like a high need for achievement, and sociological theories that highlight the role of social networks and cultural context. The types of entrepreneurship are equally varied, and can be classified based on the nature of the business (e.g., trading, manufacturing), use of technology (e.g., technical, non-technical), or the motivation of the founder (e.g., pure, induced). A comprehensive understanding requires appreciating entrepreneurship not just as the act of starting a business, but as a continuous process of innovation, risk management, and strategic orchestration of resources to exploit opportunities and create new value in the marketplace.

Based on the above source, attempt the following five questions.

251. According to the source, what is the fundamental outcome of the entrepreneurial process?
(A) The assumption of major career commitments by an individual.
(B) The creation of incremental wealth and value.
(C) The management of a resulting venture.
(D) The accumulation of diverse resources for production.

NODIA

252. Which of the following is presented as a category within the sociological theories of entrepreneurship?
(A) The importance of social networks and cultural context.
(B) A focus on the entrepreneur's high need for achievement.
(C) An emphasis on the risk-bearing function of the entrepreneur.
(D) The role of innovation as an economic driver.

253. The source implies that entrepreneurship should be viewed primarily as:
(A) a singular act of starting a new business venture.
(B) a personality type defined by specific psychological traits.
(C) a continuous process of managing risks and exploiting opportunities.
(D) an economic function limited to resource accumulation.

254. Based on the paragraph, classifying entrepreneurship into 'technical' and 'non-technical' categories relates to which classification basis?
(A) The motivation of the founder.
(B) The nature of the business.
(C) The cultural context of the venture.
(D) The use of technology.

255. What can be inferred about the relationship between opportunity identification and resource accumulation in the entrepreneurial process?
(A) Resource accumulation is an independent stage that has no bearing on opportunity identification.
(B) Opportunity identification is the final step after all resources have been successfully accumulated.
(C) The process begins with identifying an opportunity, which then guides the accumulation of necessary resources.
(D) These two stages occur simultaneously and are managed by different individuals within the venture.

Direction : Please read the following source carefully.

The development of entrepreneurial competencies is crucial for the success and sustainability of any new venture. A competency is not merely a single skill but a complex cluster of related knowledge, skills, and attributes that enables an individual to act effectively in a job or situation. For an entrepreneur, these competencies transcend basic business management abilities. Key among them are proactive orientation and a high propensity for calculated risk-taking, which allow the entrepreneur to seize opportunities that others might miss. Another critical competency is innovation, the ability to generate novel ideas and translate them into commercially viable products or services. Leadership and problem-solving skills are indispensable for navigating the complexities of a start-up environment, motivating a team, and overcoming inevitable obstacles. Furthermore, perseverance and resilience are personal attributes that form the bedrock of an entrepreneur's ability to withstand setbacks and maintain focus on long-term goals. Developing these competencies is an ongoing process, fostered through a combination of formal training programs, experiential learning, mentorship from seasoned entrepreneurs, and a commitment to continuous self-assessment and personal growth. Without a well-developed set of these competencies, an entrepreneur's vision is unlikely to materialize into a successful enterprise.

Based on the above source, attempt the following five questions.

256. How does the source define an entrepreneurial competency?
(A) As a single, specialized skill for business management.
(B) As a complex cluster of knowledge, skills, and attributes for effective action.
(C) As a set of innate personality traits that cannot be learned.
(D) As the ability to avoid all forms of risk in a new venture.

257. According to the text, which competency is directly associated with the ability to generate novel ideas and convert them into marketable offerings?
(A) Leadership.
(B) Proactive orientation.
(C) Perseverance.
(D) Innovation.

NODIA

(B) As the result of having highly functional labor relations.
(C) As a condition of persistent losses and inability to meet financial obligations.
(D) As an exclusive consequence of positive changes in government policy.

292. Which of the following is classified as an internal factor causing sickness in small industries?
(A) Deficiencies in management and poor financial control.
(B) A widespread market recession.
(C) An adverse change in government policy.
(D) The non-availability of raw materials in the market.

293. According to the text, a market recession that negatively impacts a small industry would be considered:
(A) an internal factor.
(B) a rehabilitation measure.
(C) a symptom of strong financial control.
(D) an external factor.

294. What is the first crucial step in the process of reviving a sick industrial unit?
(A) Immediately infusing a large amount of fresh capital.
(B) Conducting a viability study to diagnose the cause of sickness.
(C) Changing the entire management team without analysis.
(D) Selling off all the assets of the industrial unit.

295. The paragraph suggests that a rehabilitation package for a sick but viable unit might include:
(A) only an increase in the workforce without any other changes.
(B) a complete withdrawal of all institutional finance.
(C) a combination of financial restructuring and technology upgrades.
(D) maintaining the outdated technology to save costs.

Direction : Please read the following source carefully.

Access to adequate and timely finance is a critical determinant of the success and growth of small industries. These enterprises require capital for establishment, day-to-day operations (working capital), and for expansion and modernization. To meet these diverse needs, a network of institutional finance has been developed. Key among these are specialized Financial Institutions, such as the Small Industries Development Bank of India (SIDBI), which are specifically mandated to provide and facilitate credit flow to the small-scale sector. Commercial Banks represent the most significant source of institutional credit, offering both term loans for fixed assets and working capital finance to a vast number of small enterprises across the country. In semi-urban and rural areas, Cooperative Banks play a vital role in catering to the financial needs of small and local entrepreneurs. A more recent and crucial development is the rise of Micro Finance. This mechanism is designed to provide small-scale financial services, including small loans (microcredit), savings, and insurance, to micro-entrepreneurs and low-income households that typically lack access to formal banking channels. Despite this network, small industries often face challenges in accessing institutional finance, such as stringent collateral requirements and complex procedural delays, which can hinder their operations and growth prospects.

Based on the above source, attempt the following five questions.

296. What is the principal role of specialized Financial Institutions like SIDBI, as described in the passage?
(A) To exclusively provide microcredit to individual entrepreneurs.
(B) To act as the primary regulator for all commercial banks in the country.
(C) To focus solely on providing insurance services to large corporations.
(D) To provide and facilitate the flow of credit specifically to the small-scale sector.

297. According to the text, which type of financial institution is particularly significant for entrepreneurs in semi-urban and rural areas?
(A) Cooperative Banks.
(B) Commercial Banks.
(C) Foreign Investment Banks.
(D) The Stock Exchange.

Downloaded from www.pdf.tube

(B) a rigid organizational structure with limited employee autonomy.
(C) an environment that encourages and rewards innovation.
(D) a policy of outsourcing all new product development.

264. What can be inferred about the personal risk faced by an intrapreneur compared to an entrepreneur?
(A) The intrapreneur bears a significantly higher level of personal financial risk.
(B) Both face identical levels of risk in terms of equity and career commitment.
(C) The intrapreneur's risk is primarily social, whereas the entrepreneur's is financial.
(D) The personal risk for the intrapreneur is largely mitigated by the corporate structure.

265. The final stage of the intrapreneurial process, as outlined in the paragraph, involves:
(A) integrating the developed project into the organization or spinning it off.
(B) abandoning the project if it faces initial difficulties.
(C) securing the initial funding for the conceived idea.
(D) conducting market research to validate the initial concept.

Direction : Please read the following source carefully.

Women entrepreneurship and rural entrepreneurship represent two critical domains for fostering inclusive economic growth and social development. Women entrepreneurship involves the creation and management of enterprises by women, a phenomenon that not only drives economic output but also serves as a powerful tool for women's empowerment, financial independence, and improved social standing. However, women entrepreneurs often face a distinct set of challenges, including limited access to finance, social and cultural barriers, and difficulties in balancing business with domestic responsibilities. Similarly, rural entrepreneurship is defined by the establishment of industrial and business activities in rural areas. It holds immense potential to address regional imbalances by creating local employment opportunities, leveraging indigenous resources, curbing migration to urban centers, and promoting rural development. Entrepreneurs in rural settings, however, grapple with issues like inadequate infrastructure, lack of access to modern technology and formal credit, and limited market linkages. These two streams frequently intersect, as a significant portion of rural entrepreneurship is driven by women. Policy interventions and support systems must, therefore, be tailored to address the unique and often overlapping challenges faced by both women and rural entrepreneurs to unlock their full potential.

Based on the above source, attempt the following five questions.

266. According to the source, what is a primary non-economic benefit of promoting women entrepreneurship?
(A) A reduction in urban migration.
(B) The empowerment and improved social standing of women.
(C) The leveraging of indigenous resources.
(D) The creation of better rural infrastructure.

267. Which of the following is identified as a significant challenge specifically for rural entrepreneurship?
(A) The difficulty in balancing business with domestic responsibilities.
(B) Inadequate infrastructure and limited market linkages.
(C) The social and cultural barriers to starting a business.
(D) A lack of financial independence among entrepreneurs.

268. The passage suggests that women entrepreneurship and rural entrepreneurship:
(A) are intersecting domains, with many rural entrepreneurs being women.
(B) are mutually exclusive concepts with no overlap.
(C) face identical challenges and require the same policy solutions.
(D) are primarily focused on addressing urban unemployment.

269. What is the main potential of rural entrepreneurship as highlighted in the paragraph?
(A) To exclusively promote women's financial

NODIA

258. The source suggests that the development of entrepreneurial competencies is best achieved through:
(A) a multi-faceted approach including training, experience, and mentorship.
(B) a singular focus on formal academic education.
(C) an exclusive reliance on inheriting a family business.
(D) a natural process that requires no deliberate effort.

259. What is the inferred relationship between risk-taking and proactive orientation as described in the paragraph?
(A) They are conflicting competencies, as proactivity reduces the need for risk.
(B) Risk-taking is a substitute for proactive orientation in established businesses.
(C) They are complementary competencies that together enable the seizing of opportunities.
(D) Proactive orientation is a negative attribute, while risk-taking is positive.

260. The passage implies that perseverance and resilience are critical for an entrepreneur primarily because:
(A) they enable an entrepreneur to endure setbacks and stay focused on long-term objectives.
(B) they ensure the venture will be profitable from the very beginning.
(C) they help in securing initial funding from investors.
(D) they are essential for managing a large and diverse team.

Direction : Please read the following source carefully.

Intrapreneurship refers to the manifestation of entrepreneurial behavior within the confines of an existing large organization. An intrapreneur, therefore, is an employee who uses entrepreneurial skills to develop and champion a new product, service, or process internally, without incurring the personal risks associated with starting an independent enterprise. The concept hinges on creating a corporate environment that encourages innovation, creativity, and autonomy. The process of intrapreneurship typically mirrors the entrepreneurial process but unfolds within a corporate structure. It begins with the conception of an innovative idea by an employee or a team. The next crucial step is securing sponsorship from senior management, which involves articulating a clear vision and a compelling business case for the proposed project. Once approved, the intrapreneurial team is often granted dedicated resources and a degree of autonomy to develop the project, moving from prototype to a market-ready offering. The final stage involves the successful integration of the new venture back into the larger organization or its spin-off as a separate business unit. For intrapreneurship to thrive, the parent organization must be willing to tolerate failure, reward innovation, and provide clear pathways for employees to pursue promising ideas, effectively creating a start-up culture within an established firm.

Based on the above source, attempt the following five questions.

261. What is the primary distinction between an entrepreneur and an intrapreneur as described in the text?
(A) An intrapreneur focuses on services while an entrepreneur focuses on products.
(B) An entrepreneur seeks senior management sponsorship, while an intrapreneur does not.
(C) An intrapreneur is more skilled in innovation than an entrepreneur.
(D) An intrapreneur operates within an existing organization, while an entrepreneur starts a new one.

262. According to the source, what is a critical step that follows the conception of an idea in the intrapreneurial process?
(A) The immediate integration of the project into the main business.
(B) The securing of sponsorship from senior management.
(C) The spin-off of the idea into a separate company.
(D) The mass production of the proposed product.

263. The passage suggests that a key requirement for a successful intrapreneurship program is:
(A) a corporate culture that penalizes any form of failure.

Click Here to Buy book on Amazon

threat.
(D) avoid all forms of marketing and organizational change.

Direction : Please read the following source carefully.

The process of screening business ideas is a critical, preliminary step in the entrepreneurial journey, designed to filter a large number of potential business concepts down to a few promising ones. This filtration is essential to avoid the misallocation of valuable resources such as time, effort, and capital on ideas that are unviable from the outset. The screening process is not arbitrary; it is a systematic evaluation based on a set of well-defined criteria. Key among these is market potential, which assesses the size of the target market, its growth prospects, and the level of competition. Another crucial criterion is technical feasibility, which questions whether the product or service can be produced or delivered with available technology and resources. Financial viability is also paramount, involving a preliminary assessment of the potential profitability, start-up costs, and funding requirements. Finally, the idea must be evaluated for its alignment with the entrepreneur's personal skills, experience, and long-term goals. An idea that is strong in one area but weak in others may not be worth pursuing. Therefore, effective screening acts as a crucial gatekeeping function, ensuring that an entrepreneur's focus and resources are channeled only toward those business ideas that possess a realistic probability of success.

Based on the above source, attempt the following five questions.

276. What is the primary purpose of screening business ideas, according to the text?
(A) To filter out unviable ideas and conserve resources.
(B) To secure funding for all generated ideas.
(C) To develop a detailed business plan for every concept.
(D) To immediately launch the first idea that is generated.

277. Evaluating whether a proposed product can be manufactured with existing technology falls under which screening criterion?
(A) Market potential.
(B) Financial viability.
(C) Alignment with the entrepreneur's goals.
(D) Technical feasibility.

NODIA

278. The passage suggests that the ideal business idea to pursue is one that:
(A) has the lowest possible start-up costs, regardless of market potential.
(B) is strong across multiple criteria like market, technical, and financial feasibility.
(C) requires the most advanced technology, even if it's not available.
(D) aligns perfectly with the entrepreneur's skills but has no market.

279. What does the criterion of 'alignment with the entrepreneur's personal skills, experience, and long-term goals' imply?
(A) The entrepreneur should only pursue ideas that require no new learning.
(B) Financial viability is less important than the entrepreneur's personal interests.
(C) The viability of an idea is partially dependent on the person pursuing it.
(D) Any idea can be successful regardless of the entrepreneur's background.

280. The source describes the screening of business ideas as a:
(A) one-time decision made without any specific criteria.
(B) final step taken after a business has already been launched.
(C) process focused exclusively on assessing the level of competition.
(D) systematic filtration process to identify promising concepts.

Direction : Please read the following source carefully.

A business plan is a comprehensive, formal written document that serves as a roadmap for a new or existing venture. It meticulously outlines a company's goals and the strategies it will use to achieve them over a specific period. Central to the development of a robust business plan is the feasibility analysis, a preliminary study conducted to determine if a business idea is viable. This analysis acts as an investigative tool, assessing the potential of the idea before significant resources are committed. Feasibility

independence.
(B) To increase the pace of migration to urban centers for better jobs.
(C) To address regional imbalances by creating local employment and development.
(D) To compete directly with large-scale urban industries.

270. What can be inferred from the text about policy interventions for these types of entrepreneurship?
(A) A single, uniform policy is sufficient for both women and rural entrepreneurs.
(B) Policy interventions are unnecessary as these sectors are self-sustaining.
(C) Policies should be generic and not focus on specific challenges.
(D) Effective policies must be customized to address the unique and overlapping hurdles they face.

Direction : Please read the following source carefully.

Innovation is the cornerstone of modern business and a primary tool for entrepreneurs. It is not merely invention, but the commercial application and exploitation of new ideas, processes, or products. Business innovations can be categorized into several types. Product innovation involves the introduction of a new good or service, or a significant improvement to an existing one. Process innovation refers to the implementation of a new or significantly improved production or delivery method. Marketing innovation entails the development of new marketing strategies, such as novel packaging, pricing, or promotional techniques. Finally, organizational innovation is concerned with implementing new organizational methods in business practices, workplace organization, or external relations. The journey of innovation begins with the creation and identification of opportunities. Opportunities can be created proactively by entrepreneurs who envision new possibilities, or they can be identified by recognizing and reacting to changes in the environment, such as technological advancements, shifts in consumer preferences, or new government regulations. The entrepreneurial mindset is crucial for perceiving these changes not as threats, but as opportunities to be seized, turning novel concepts into tangible value for the market through a specific type of innovation.

Based on the above source, attempt the following five questions.

271. What is the fundamental difference between invention and innovation as presented in the source?
(A) Innovation is done by entrepreneurs, while invention is done by scientists.
(B) Invention is a type of innovation, but innovation is not a type of invention.
(C) Invention is about ideas, while innovation is their commercial application.
(D) Innovation relates to products, whereas invention relates to processes.

272. A company that revamps its supply chain management system to reduce delivery times is engaging in which type of innovation?
(A) Product innovation.
(B) Process innovation.
(C) Marketing innovation.
(D) Organizational innovation.

273. According to the paragraph, how are entrepreneurial opportunities for innovation generated?
(A) Only through reactive identification of environmental changes.
(B) Only through proactive vision and creation by the entrepreneur.
(C) Exclusively from new government regulations.
(D) Through both proactive creation and reactive identification of changes.

274. Implementing a new structure for employee teams and inter-departmental communication would be an example of:
(A) Organizational innovation.
(B) Product innovation.
(C) Marketing innovation.
(D) Process innovation.

275. The passage implies that the entrepreneurial mindset is essential for innovation because it enables an individual to:
(A) ignore external environmental changes.
(B) focus solely on invention without commercialization.
(C) view change as an opportunity rather than a

Downloaded from www.pdf.tube

to provide technical and managerial consultancy are key aspects of the government's strategy to foster a vibrant and resilient small-scale industrial sector.

Based on the above source, attempt the following five questions.

286. According to the paragraph, what is a primary economic contribution of Micro and Small Scale Industries in India?
(A) They exclusively serve the urban consumer market.
(B) They are the main source of technological innovation in the country.
(C) They primarily rely on foreign capital for their establishment.
(D) They are major engines for employment generation and contribute significantly to exports.

287. Which of the following is described as a method used by the Government of India to provide financial assistance to SSIs?
(A) Imposing higher taxes on small industries.
(B) Restricting their access to commercial bank loans.
(C) Providing subsidies and credit guarantee schemes.
(D) Mandating the use of outdated technology.

288. The government's role in developing industrial estates and parks for SSIs falls under which category of support?
(A) Financial assistance.
(B) Provision of infrastructure.
(C) Marketing support.
(D) Regulatory simplification.

289. What can be inferred about the government's perspective on the SSI sector?
(A) The government views the SSI sector as a burden on the national economy.
(B) The government believes SSIs should operate without any form of state support.
(C) The government aims to replace the SSI sector with large-scale industries.
(D) The government considers the SSI sector to be strategically important for national development.

290. How do SSIs contribute to regional development according to the source?
(A) By mobilizing local capital and creating employment in semi-urban and rural areas.
(B) By concentrating all industrial activity in major metropolitan cities.
(C) By exclusively focusing on importing goods for the domestic market.
(D) By operating independently of any governmental support or policy.

Direction : Please read the following source carefully.

Sickness in small industries is a significant concern that undermines their economic contribution. Industrial sickness is typically identified when a small-scale unit incurs persistent financial losses, leading to a substantial erosion of its net worth, and demonstrates a chronic inability to meet its financial obligations. The reasons for this phenomenon are complex and can be broadly categorized into internal and external factors. Internal factors are those within the control of the unit's management and include deficiencies such as poor financial control, lack of business acumen, investment in outdated technology, and dysfunctional labor relations. These often stem from a weak managerial foundation. On the other hand, external factors are elements in the business environment over which the individual unit has little to no control. These include sudden market recessions, non-availability or high cost of critical inputs like raw materials, adverse changes in government policy, and, critically, inadequate and untimely access to institutional finance. Addressing this issue requires a two-pronged approach. The first step is to diagnose the root cause of sickness. If the unit is deemed potentially viable, a process of rehabilitation is initiated. This typically involves the formulation of a comprehensive rehabilitation package, which may include financial restructuring, infusion of fresh capital, changes in management, and necessary technology upgrades, all followed by careful monitoring of its implementation.

Based on the above source, attempt the following five questions.

291. How does the passage define industrial sickness in small industries?
(A) As a temporary phase of low profitability.

NODIA

analysis is typically broken down into three core components. Technical analysis evaluates the operational viability of the business, examining requirements such as location, equipment, technology, and the raw materials supply chain. Market analysis focuses on the industry, target audience, competitive landscape, and sales projections, essentially answering the question of whether a market exists for the product or service. Finally, financial analysis projects the economic viability of the venture, involving the estimation of start-up capital, sources of funding, projected cash flows, and break-even points. The collective findings from these analyses form the backbone of the business plan, providing a realistic and data-driven foundation for strategic planning, fundraising, and operational management.

Based on the above source, attempt the following five questions.

281. What is the primary function of a feasibility analysis in the context of a business plan?
(A) To assess the viability of a business idea before major resource commitment.
(B) To serve as a marketing document for customers.
(C) To act as a final report after the business is profitable.
(D) To outline the company's long-term historical performance.

282. Examining the competitive landscape and estimating potential sales falls under which component of feasibility analysis?
(A) Technical analysis.
(B) Market analysis.
(C) Financial analysis.
(D) Operational analysis.

283. According to the source, the financial analysis component of a feasibility study is primarily concerned with:
(A) evaluating the suitability of the business location.
(B) projecting the economic viability and funding needs of the venture.
(C) analyzing the structure of the target industry.
(D) assessing the technology required for production.

284. How does the source describe the relationship between feasibility analysis and the business plan?
(A) The findings from the feasibility analysis provide the foundation for the business plan.
(B) The business plan is a brief summary of the feasibility analysis.
(C) The feasibility analysis is an optional part of the business plan process.
(D) The feasibility analysis is a separate process that has no impact on the business plan.

285. A prospective entrepreneur evaluating the equipment needs and raw material supply chain for a proposed manufacturing unit is conducting a:
(A) market analysis.
(B) financial analysis.
(C) technical analysis.
(D) competitive analysis.

Direction : Please read the following source carefully.

In the Indian economy, Micro and Small Scale Industries (SSIs) play a pivotal role in achieving balanced and sustainable industrial development. These industries, typically defined by their investment limits in plant and machinery, are crucial engines for large-scale employment generation, especially in semi-urban and rural areas. They make a significant contribution to the country's industrial production and are instrumental in mobilizing local capital and entrepreneurial talent. Furthermore, SSIs have emerged as a major contributor to India's export earnings, producing a diverse range of goods for the global market. Recognizing their immense importance, the Government of India has consistently played a proactive role in promoting the SSI sector. This promotional role is multi-faceted, encompassing a wide range of policies and support mechanisms. The government facilitates the provision of infrastructure by developing industrial estates and parks. It offers financial assistance through subsidies, tax incentives, and credit guarantee schemes. To enhance competitiveness, it provides marketing support by organizing trade fairs and creating procurement policies that favor SSIs. Additionally, simplifying regulatory frameworks and establishing agencies

Click Here to Buy book on Amazon

298. The concept of Micro Finance is described as a mechanism to:
(A) provide large-scale loans for major industrial projects.
(B) offer financial services to those who lack access to formal banking.
(C) manage the financial operations of established commercial banks.
(D) fund government infrastructure projects exclusively.

299. Based on the passage, what is a common obstacle small industries face when trying to secure institutional finance?
(A) A complete lack of available funds within financial institutions.
(B) Stringent collateral requirements and procedural delays.
(C) An over-simplified application process that invites fraud.
(D) The absence of any need for working capital.

300. The source indicates that Commercial Banks are the most significant source of institutional credit for small enterprises because they:
(A) provide both term loans and working capital finance.
(B) only operate in rural areas.
(C) are entirely free from collateral requirements.
(D) were established exclusively for micro-finance.

www.nodia.in

Downloaded from www.pdf.tube

essential for creating sustainable livelihoods and preserving traditional crafts and agricultural processing techniques.

15. (B) ii, iii, and v only
The intrapreneurial process thrives in an organizational culture that actively encourages risk-taking and tolerates potential failure. Success in this environment requires a dedicated individual to champion the project through various bureaucratic hurdles and resource constraints. When executed effectively, these internal ventures can evolve into entirely new business units or subsidiaries, contributing significantly to the parent company's growth. Flexible budgeting and management support are critical components for sustaining such innovation within large, established firms.

16. (B) The need for achievement and personal self-actualization.
The decision for women to enter entrepreneurship is often driven by internal motivators known as pull factors. These factors include a strong desire for personal achievement, the pursuit of financial independence, and the need for self-actualization. Unlike push factors, which arise from negative external circumstances like job dissatisfaction, pull factors represent a proactive choice to seek growth and fulfillment. Recognizing these motivations is essential for designing effective support programs that empower aspiring women leaders.

17. (B) Process Innovation
Process innovation involves the implementation of a new or significantly improved production or delivery method. When an entrepreneur introduces an advanced online customer service system that enhances response efficiency, they are optimizing the internal workflows of the business. This type of innovation focuses on how a service is delivered rather than changing the product itself. By improving operational procedures, companies can increase customer satisfaction and gain a competitive advantage through higher service quality.

18. (A) Excessively high employee morale and productivity.
Industrial sickness in the small-scale sector is typically caused by a variety of negative internal and external factors. Common reasons include severe financial constraints, inadequate marketing strategies, and general managerial incompetence. These issues lead to persistent losses and an erosion of net worth. Conversely, having a highly motivated workforce with high productivity levels is a sign of organizational health and success. Such positive attributes contribute to the growth and sustainability of the industrial unit.

19. (A) 2, 4, 1, 3, 5
The entrepreneurial process follows a structured sequence that begins with the identification and evaluation of a viable business opportunity. Once the idea is validated, the entrepreneur develops a detailed business plan to serve as a roadmap. This is followed by the mobilization of necessary human and financial resources. After these preparations, the enterprise is launched, leading to the final stage of ongoing management and strategic growth to ensure long-term venture sustainability.

20. (D) Technical Feasibility Analysis
Technical feasibility analysis is an essential component of the business planning process that evaluates the practical implementation of a project. It focuses on assessing the suitability of the proposed location, the availability of required technology, and the optimal scale of operations. This study ensures that the entrepreneur has access to the necessary infrastructure and manufacturing capabilities to produce the desired goods or services. It minimizes the risk of operational failure during the production phase.

21. (A) Both Statement I and Statement II are correct.
A business plan and a feasibility analysis serve distinct but complementary roles in the startup process. The feasibility study is an initial investigation used to determine if a business idea is viable and worth pursuing. Once viability is established, the business plan is developed as a comprehensive document that outlines the strategy for execution and management. Together, they provide a roadmap for entrepreneurs to navigate the complexities of launching and sustaining a new venture.

NODIA

and skepticism, changing only when necessary for survival. Finally, drone entrepreneurs are characterized by their total resistance to change, even when it results in financial losses. Understanding these distinctions helps in analyzing industrial dynamics and economic development.

8. (A) Opportunity evaluation
Opportunity evaluation is a critical initial stage in the development process where a prospective venture is analyzed for practical viability. During this phase, the entrepreneur systematically examines the availability of essential inputs such as raw materials, specialized machinery, and necessary utilities. This rigorous assessment ensures that the proposed business concept can be realistically implemented and sustained under current market conditions. It provides a foundation for more detailed planning.

9. (C) Statement I is true, but Statement II is false.
Intrapreneurship involves the demonstration of entrepreneurial initiative and behavior within the context of an established organization. While an intrapreneur champions new ideas and drives innovation, they typically do not possess ownership of the firm. Furthermore, the financial risks associated with the venture are primarily borne by the corporation rather than the individual employee. This internal innovation process allows large companies to stay competitive and adapt to evolving market trends effectively.

10. (A) i and iii only
The entrepreneurial development process follows a logical sequence beginning with the systematic generation of business ideas followed by opportunity evaluation. Critical steps include developing a comprehensive business plan and mobilizing necessary resources before the formal launch of operations. This process is continuous and does not end at the startup phase; rather, it extends into the ongoing management and growth of the enterprise to ensure long-term sustainability and market success.

11. (D) Fostering entrepreneurial activities and innovations within a firm.
Intrapreneurship is a strategic concept that encourages employees to act like entrepreneurs within their current organizational environment. This approach fosters a culture of innovation by providing individuals with the autonomy and resources to develop new products or services. By leveraging existing corporate infrastructure, companies can drive growth and stay ahead of competitors. It allows established firms to utilize the creative talent of their workforce while managing the risks of new ventures.

12. (A) Both A and R are true and R is the correct explanation of A.
Women entrepreneurs frequently encounter a unique set of obstacles that distinguish their experience from their male counterparts. These challenges include significant difficulties in securing financial credit and navigating deep-seated societal barriers. Financial institutions often apply stricter lending criteria due to perceived higher risks, while traditional norms may restrict their ability to build professional networks. Consequently, these factors combine to create a restrictive environment that requires targeted policy interventions and support systems.

13. (C) Securing sponsorship from senior management and teams.
Within a corporate setting, the transition of an innovative idea into a functional reality depends heavily on gaining internal support. An intrapreneur must navigate the organizational hierarchy to secure the necessary sponsorship and resources from senior management. This collaborative approach ensures that the project aligns with the company's broader strategic goals and obtains the institutional backing required to overcome bureaucratic resistance. Building a strong coalition is vital for the successful execution of internal ventures.

14. (D) Utilization of local resources to cater to regional needs.
Rural entrepreneurship focuses on the economic development of non-urban areas by leveraging indigenous raw materials and local labor. These enterprises typically aim to satisfy regional market demands and improve the standard of living for the local community. By utilizing local resources, these ventures reduce dependency on urban centers and promote balanced regional growth. This form of entrepreneurship is

Click Here to Buy book on Amazon

play a crucial role in adding value to agricultural output and generating employment in rural areas. By processing perishables, they help reduce post-harvest losses and improve the income of local farmers, contributing significantly to the regional economy and food security.

44. (B) P-3, Q-1, R-4, S-2
Various theorists have contributed unique perspectives on the function of an entrepreneur. Joseph Schumpeter identified innovation and creative destruction as the core of entrepreneurship. David McClelland focused on the psychological drive of the need for achievement. Israel Kirzner emphasized entrepreneurial alertness to market opportunities, while Harvey Leibenstein introduced the concept of X-efficiency and the entrepreneur's role in filling organizational gaps. These theories together explain the multifaceted nature of entrepreneurial activity in modern economic systems.

45. (C) Drone Entrepreneur
A drone entrepreneur is characterized by a complete resistance to change and a rigid adherence to traditional methods of operation. These individuals are often referred to as laggards because they refuse to adopt new technologies or innovations, even when faced with significant losses or a decline in market share. Their approach is purely reactive and focuses on maintaining the status quo at all costs. This lack of flexibility often leads to the eventual obsolescence and failure of their business.

46. (B) Both Statement I and Statement II are false.
Industrial sickness in the small-scale sector is a complex phenomenon caused by a combination of internal and external factors. While internal issues like mismanagement and poor financial control are significant, external factors are equally impactful. Changes in market demand, shortages of raw materials, and shifts in government policies can all severely threaten the viability of a business. A comprehensive understanding of both types of causes is necessary for diagnosing the health of an industrial unit and implementing effective rehabilitation measures.

47. (A) Eliminate impractical and non-viable ideas at an early stage.
The primary purpose of screening business ideas is to filter through numerous concepts to identify those with the highest potential for success. By applying specific criteria related to market demand, technical feasibility, and personal alignment, entrepreneurs can eliminate impractical or non-viable ideas early on. This process saves valuable time and resources that would otherwise be wasted on detailed planning for flawed concepts. Effective screening ensures that the entrepreneur focuses their efforts on the most promising opportunities.

NODIA

48. (B) They focus on providing financial services in rural and semi-urban areas, often to agriculture and allied industries.
Cooperative banks play a specialized role in the financial ecosystem by providing credit and banking services primarily to rural and semi-urban communities. These institutions are often organized on a member-based approach and focus on supporting agriculture, allied activities, and local small-scale industries. By offering accessible finance to those who might be overlooked by larger commercial banks, cooperative banks contribute significantly to regional economic development. Their localized presence is essential for promoting financial inclusion in underserved areas.

49. (C) i, ii, and iv only
Entrepreneurship is defined by several key characteristics that drive economic activity. It fundamentally involves the willingness to bear risk and the ability to introduce innovations through new products or processes. Furthermore, it is often driven by a psychological need for achievement and the pursuit of challenging goals. Entrepreneurship is not restricted to large-scale businesses; it flourishes in small and medium enterprises as well. It is a proactive process that seeks to change the status quo through value creation.

50. (A) Marketing Innovation
Marketing innovation involves the implementation of a new marketing method involving significant changes in product design, packaging, placement, or pricing strategy. Developing a new pricing strategy for an existing

22. (B) Small Industries Development Bank of India (SIDBI)
The Small Industries Development Bank of India acts as the principal financial institution for the promotion and development of the MSME sector. It provides essential financial support through direct lending and refinancing facilities for small-scale industries. By coordinating the functions of various institutions engaged in similar activities, it ensures a steady flow of credit to smaller businesses. This support is crucial for the technological up-gradation and expansion of industrial units across the nation.

23. (B) P-2, Q-4, R-3, S-1
Innovation in a business context can take several forms depending on the area of improvement. Product innovation involves introducing entirely new or significantly improved goods, such as foldable smartphones. Process innovation focuses on enhancing manufacturing techniques for better efficiency. Marketing innovation deals with new packaging or distribution channels to reach consumers effectively. Organizational innovation involves implementing new workplace structures or management systems, such as Total Quality Management, to improve overall organizational performance and internal coordination.

24. (A) A detailed five-year projected balance sheet.
Initial screening of business ideas is a preliminary process intended to filter out impractical concepts before significant time is invested. This stage focuses on evaluating the entrepreneur's alignment with the idea, market potential, and broad capital needs. Requiring highly detailed financial projections, such as a five-year balance sheet, is premature at this level. Such granular analysis is typically conducted later during the formal business planning and feasibility stages when more specific data becomes available for calculation.

25. (A) Both A and R are true and R is the correct explanation of A.
Rural entrepreneurship is fundamental for achieving balanced regional development by decentralizing industrial activity away from urban centers. By establishing businesses in rural areas, entrepreneurs utilize local resources and create much-needed employment opportunities for the regional workforce. This process helps to curb migration to overcrowded cities and significantly improves the standard of living within rural communities. Consequently, supporting these ventures is a vital strategy for inclusive economic growth and the sustainable development of the countryside.

26. (A) Sudden shift in government policy
Sickness in small industries can be attributed to factors beyond the control of the management, known as external causes. A sudden shift in government policy, such as changes in taxation or trade regulations, can severely impact a firm's operational viability. While internal issues like poor planning or financial mismanagement are within the entrepreneur's control, external shocks require the business to adapt quickly to survive. Understanding these external risks is crucial for long-term strategic planning and resilience.

27. (D) Secure funding from various external financial sources.
A primary objective of developing a comprehensive business plan is to communicate the venture's potential to external stakeholders. For most startups, this document is essential for securing financial support from banks, venture capitalists, or angel investors. By detailing the market strategy and financial projections, the plan demonstrates the viability and profitability of the business. While it also serves as an internal roadmap, its role as a tool for capital mobilization is critical for initial growth.

28. (B) i, ii, and iv only
A comprehensive feasibility analysis involves several key components designed to test the viability of a business idea. Market analysis examines demand and competition, while technical analysis focuses on production capabilities and infrastructure. Financial analysis evaluates the project's profitability and funding requirements. These studies provide an objective assessment of whether a venture should proceed. Other assessments, such as historical stock performance or employee satisfaction, are generally irrelevant or premature during the initial feasibility stage of a startup.

Downloaded from www.pdf.tube

ANSWERS

1. (B) The process of designing, launching, and running a new business venture.
Entrepreneurship is a dynamic process focused on the identification of opportunities and the strategic mobilization of resources to create value. It involves the comprehensive activities of conceptualizing, organizing, and managing a new commercial enterprise while assuming the associated financial and operational risks. This multifaceted discipline requires creativity and strategic planning to transform innovative ideas into sustainable market entities that contribute to economic growth and development across various sectors.

2. (C) Statement I is correct, but Statement II is incorrect.
Entrepreneurial competencies encompass a combination of specific knowledge, motives, and behavioral traits that enable individuals to successfully manage a venture. These characteristics include problem-solving, persistence, and strategic thinking. Importantly, these competencies are not static or fixed; they can be systematically developed and refined through targeted training programs, practical experience, and continuous learning. Enhancing these attributes is essential for improving the overall effectiveness and resilience of an entrepreneur.

3. (C) Innovative Entrepreneur
An innovative entrepreneur is characterized by a proactive approach toward identifying and implementing novel solutions within the marketplace. This individual consistently seeks to introduce groundbreaking products, services, or production techniques that disrupt existing industry standards. By embracing high levels of risk and uncertainty, they drive technological advancement and economic transformation. Their primary focus remains on the pursuit of creative excellence and the continuous improvement of existing industrial systems.

4. (D) To introduce innovations
Joseph Schumpeter's economic theory posits that the primary role of an entrepreneur is to act as an agent of change through the introduction of innovations. This process, known as creative destruction, involves disrupting existing market structures with new products, processes, or organizational forms. By constantly seeking new combinations of production factors, entrepreneurs drive economic progress and ensure the dynamic evolution of industries, distinguishing them from traditional business managers.

5. (C) Imitative entrepreneur
An imitative entrepreneur focuses on replicating proven business models, products, or services that have already achieved success in other markets. Rather than introducing radical innovations, they adapt existing concepts to suit local conditions or specific consumer needs with minor modifications. This approach minimizes research and development costs while reducing the inherent risks associated with entirely new ventures. Such entrepreneurs play a vital role in diffusing technology and knowledge.

6. (B) Risk aversion
Core entrepreneurial competencies represent the essential traits and skills required to effectively navigate the complexities of business creation and management. These include proactive initiative, a willingness to take calculated risks, persistence in the face of obstacles, and effective problem-solving abilities. In contrast, avoiding risks or being overly cautious tends to hinder the growth and innovation necessary for a venture's success, making a proactive risk-taking orientation a fundamental requirement.

7. (A) P-4, Q-3, R-1, S-2
The classification of entrepreneurs depends on their response to technological changes and market innovations. Innovative entrepreneurs lead by introducing new concepts, while imitative ones follow by adopting successful existing models. Fabian entrepreneurs exhibit caution

NODIA

36. (D) They have equal and unhindered access to bank credit.
While women entrepreneurship in India is growing, significant hurdles remain that impede progress. Women often face the dual challenge of balancing family responsibilities with business management and navigating restrictive cultural norms. One of the most critical barriers is the lack of equal and unhindered access to institutional credit, often due to a lack of collateral or gender-based bias in lending. Although government initiatives seek to bridge this gap, complete financial parity has not yet been achieved.

37. (A) i, ii, and iii only
A feasibility study and a business plan are distinct documents with specific purposes in the entrepreneurial process. The feasibility study is an investigative tool used to determine if a business idea is viable. Once viability is confirmed, the business plan is created to outline the specific execution and management strategies. These documents are not interchangeable, as one focuses on the possibility of success while the other focuses on the method of achievement. Both are essential for planning.

38. (B) Offering working capital loans and term loans.
Commercial banks serve as a vital source of institutional finance for small-scale industries by providing various types of credit. Their primary role includes offering working capital loans to manage daily operational expenses and term loans for long-term investments in fixed assets like machinery. This financial support enables small businesses to maintain liquidity and expand their production capacity. Banks also provide essential services like trade finance and advisory support, which are crucial for the sustainability of SSIs.

39. (A) 3, 2, 4, 1
The entrepreneurship development process progresses through several logical phases. It begins with the pre-start-up stage, which involves idea generation and feasibility analysis. This is followed by the start-up stage, where the business is formally launched. After the initial operations begin, the post-start-up stage focuses on stabilization and navigating early challenges. Finally, the growth stage involves expanding the enterprise and maximizing its market potential. This sequence represents the natural lifecycle of a successful new venture.

40. (A) Spotting a gap in the market
Spotting a gap in the market involves identifying a specific customer need that is currently not being met by existing businesses. When an entrepreneur notices a lack of specialized products, such as gluten-free bakery items in a particular area, they have identified an unserved niche. This identification provides a clear opportunity to create value for a specific segment of consumers. Addressing such gaps is a fundamental way to establish a competitive and relevant business venture.

41. (A) Both A and R are true and R is the correct explanation of A.
Intrapreneurship requires a supportive corporate environment that provides employees with the autonomy and resources to innovate. Without explicit sanction from senior management, an employee's new ideas often face significant internal resistance and lack the necessary funding for development. Corporate support helps mitigate the risks for the individual and ensures that the project can leverage the firm's existing infrastructure. Therefore, an intrapreneurial culture is essential for fostering innovation and long-term competitiveness within established organizations.

42. (A) Financial Analysis
Financial analysis is a vital component of the feasibility study that focuses on the quantitative aspects of a proposed venture. It involves preparing projected income statements, balance sheets, and cash flow statements to assess the project's financial health. A key part of this analysis is determining the break-even point, which is the level of sales required to cover all costs. This evaluation helps entrepreneurs and investors understand the potential for profitability and the capital requirements of the business.

43. (D) A food processing unit making pickles and jams from local farm produce.
Agro-based rural enterprises are businesses that primarily use agricultural products as their main raw material. A food processing unit that produces items like pickles and jams using local farm produce is a perfect example. These enterprises

Click Here to Buy book on Amazon

to encourage entrepreneurship across different regions. By lowering the barriers to entry and operation, the government helps foster a vibrant and inclusive industrial sector.

58. (A) The entrepreneur bears direct financial risk, whereas the intrapreneur's risk is career-related.
While both entrepreneurs and intrapreneurs drive innovation, the nature of the risk they bear is fundamentally different. An entrepreneur starts an independent business and is personally responsible for the financial success or failure of the venture, often risking their own capital. In contrast, an intrapreneur operates within an established firm using corporate resources. Their risk is primarily related to their career progression and professional reputation within the organization. This distinction is key to understanding their different roles and motivations.

59. (B) ii, iii, and iv only
Entrepreneurial competencies are a unique blend of specific knowledge, behavioral skills, and internal motives that contribute to business success. Key competencies include actively seeking information to solve problems and demonstrating persistence in the face of obstacles. Importantly, these competencies are not purely inborn; they can be systematically developed and enhanced through education, training, and practical experience. Recognizing that these traits can be learned is the foundation of most entrepreneurship development programs worldwide.

60. (B) Financial inclusion by providing services to the unbanked and underbanked poor.
Microfinance institutions focus on achieving financial inclusion by providing essential financial services to individuals who are typically excluded from the traditional banking system. These services, which include small loans and savings accounts, empower the poor to engage in self-employment and build economic assets. By targeting the unbanked and underbanked, microfinance plays a crucial role in poverty alleviation and social empowerment. The goal is to provide sustainable financial access that helps marginalized communities improve their standard of living.

61. (C) Organizational Innovation
Organizational innovation involves the implementation of new methods in a firm's business practices, workplace organization, or external relations. Shifting from a traditional hierarchical structure to a flat organizational model is a clear example of this. This type of innovation aims to improve organizational performance by enhancing communication, increasing employee autonomy, and reducing administrative costs. It focuses on the internal management and structure of the company rather than the products or production processes themselves.

62. (C) Statement I is incorrect, but Statement II is correct.
Industrial sickness in the small-scale sector is rarely caused by a single factor such as lack of demand. It is more often the result of several internal deficiencies working together. Significant internal causes include managerial incompetence, the diversion of funds for unrelated purposes, and the failure to update obsolete technology. While external market conditions do play a role, the internal health of the organization is often the primary determinant of its survival. Addressing these internal issues is critical for business rehabilitation.

63. (A) Personal biography of the entrepreneur's family
A standard business plan is a professional document designed to outline the strategic and operational aspects of a venture. It typically includes an executive summary, a marketing plan, and detailed financial projections to demonstrate viability. While the professional background of the entrepreneur is important, a personal biography of their family is not a standard or necessary section. The focus of the document remains on the business concept, market analysis, and the execution strategy required to achieve success.

64. (A) P-4, Q-3, R-1, S-2
The financial support system for small industries in India involves various institutions with distinct roles. SIDBI acts as the apex institution for MSME development and refinancing. Commercial banks are the primary source of working capital and term loans for general industry needs. Microfinance

NODIA

product is a classic example of this, as it aims to improve the product's market position and reach new customer segments. This type of innovation focuses on the commercial aspect of the business rather than the physical product or the production process. It is essential for staying competitive in dynamic markets.

51. (C) Strictly adhering to existing business models without deviation
Identifying business opportunities requires a proactive and creative approach to analyzing the environment. Entrepreneurs spot opportunities by observing social trends, solving existing problems, or identifying gaps in the current market. Strictly adhering to existing business models without any deviation prevents the innovation necessary to capture new opportunities. Successful entrepreneurship involves the ability to think beyond current standards and adapt to changing circumstances. Innovation often arises from the willingness to deviate from traditional methods and explore new possibilities.

52. (D) Incurring cash losses and having an eroding net worth.
Sickness in a small industrial unit is a formal term used to describe a state of severe financial distress. It is characterized by persistent cash losses and a significant decline in the unit's net worth, often to the point of insolvency. This condition indicates that the business is no longer generating enough revenue to cover its operational costs and debt obligations. Identifying sickness early is crucial for implementing rehabilitation measures to prevent the total failure and liquidation of the enterprise.

53. (C) Intrapreneurship
Intrapreneurship occurs when an employee within an established organization demonstrates entrepreneurial behavior by developing new products or ventures using company resources. A software engineer who uses designated company time to create a new application that eventually becomes a product line is a prime example. This process allows large firms to benefit from internal innovation while providing employees with a platform to exercise their creativity. It is a key strategy for corporate growth and adapting to technological advancements.

54. (B) Market Feasibility
Market feasibility analysis is a critical study that assesses the commercial potential of a proposed business idea. It involves analyzing the target market, estimating the potential demand for the product, and studying the strengths and weaknesses of competitors. This analysis helps the entrepreneur understand if there is a sufficient customer base to support the venture and what pricing strategies should be adopted. It provides the necessary data to determine if the business concept is marketable and sustainable.

55. (A) 2, 4, 3, 1
The screening of business ideas follows a logical sequence to ensure that only the most viable concepts move forward. The process begins with idea generation, followed by the recognition of a specific opportunity. Once an opportunity is identified, it undergoes preliminary screening against broad criteria. The final stage is a detailed feasibility analysis, which provides a comprehensive assessment of the technical, market, and financial aspects. This structured approach helps entrepreneurs allocate their resources effectively and minimize the risk of failure.

56. (D) A is false but R is true.
A business plan is not a static document; rather, it should be a dynamic roadmap that evolves as the venture progresses. Because the business environment is constantly changing, entrepreneurs must remain flexible and be willing to adapt their plans in response to new information, market feedback, and shifts in the competitive landscape. A plan that cannot be altered risks becoming obsolete. Therefore, continuous review and revision are essential for ensuring that the business stays on course toward its strategic objectives.

57. (C) Providing subsidies, tax incentives, and setting up industrial estates.
The government plays a vital role in promoting Small Scale Industries through various supportive measures. These include providing financial subsidies on inputs, offering tax incentives to reduce the cost of doing business, and establishing industrial estates to provide essential infrastructure. These initiatives are designed to make small businesses more competitive and

NODIA

29. (C) Offering small loans to low-income individuals.
Microfinance is a specialized financial service that provides small loans, savings, and insurance to low-income individuals who lack access to traditional banking services. This concept is closely associated with poverty alleviation and social empowerment. By offering microcredit, these institutions enable the poor to engage in self-employment and small-scale entrepreneurial activities. This inclusive approach to finance helps build economic resilience and promotes financial independence among marginalized groups, particularly in rural and semi-urban communities.

30. (D) To provide support through various schemes and policies.
The government plays a facilitative role in the development of Small Scale Industries by creating a conducive environment for their growth. This is achieved through the formulation of supportive policies, the provision of financial subsidies, and the establishment of industrial infrastructure. Rather than managing the units directly, the government offers incentives and tax benefits to encourage entrepreneurship. These initiatives are designed to protect small businesses from unfair competition and to promote balanced industrial development.

31. (A) Fabian Entrepreneur
A Fabian entrepreneur is distinguished by an extremely cautious and conservative approach toward business management. Such individuals are generally reluctant to adopt new technologies or methods unless it becomes absolutely essential for the continued survival of the enterprise. They tend to exhibit high levels of skepticism toward innovations and prefer following established traditional practices. This behavior often results in slow growth and a tendency to react to market changes rather than leading them.

32. (B) Both Statement I and Statement II are incorrect.
Market and technical analyses have specific, distinct objectives within a feasibility study. Market analysis focuses on assessing the demand for a product, identifying the target customer base, and evaluating the competitive landscape. In contrast, technical analysis evaluates the production process, the availability of raw materials, and the suitability of technology. Reversing these roles leads to an inaccurate assessment. Understanding the correct purpose of each analysis is vital for developing a realistic and successful business strategy.

33. (B) McClelland's Theory of Needs
David McClelland's psychological theory of entrepreneurship identifies the 'need for achievement' as the primary motivator for entrepreneurial behavior. Individuals with a high achievement orientation are driven by the desire to solve complex problems, set challenging goals, and receive immediate feedback on their performance. This theory suggests that economic development is significantly influenced by the presence of individuals who possess this internal drive. It highlights the psychological traits that distinguish entrepreneurs from other members of the workforce.

34. (A) Observing trends
Entrepreneurs often identify business opportunities by carefully monitoring changes in consumer behavior and preferences. Observing a growing demand for organic and eco-friendly products is an example of trend analysis. This method involves recognizing shifts in social, economic, or environmental values and translating them into viable business concepts. By staying ahead of market trends, entrepreneurs can develop products that meet emerging needs, thereby gaining a first-mover advantage and ensuring the relevance of their new venture.

35. (C) Restructuring of debt and infusion of fresh funds.
The rehabilitation of sick industrial units is a restorative process aimed at making a failing business viable again. This typically involves a combination of financial and operational measures. Key strategies include restructuring existing debts to provide a moratorium on repayments and the infusion of fresh capital to modernize technology or expand operations. These measures help the unit overcome its liquidity crisis and regain its competitive position. Effective rehabilitation is essential for preserving jobs and industrial capacity.

Downloaded from www.pdf.tube

institutions specialize in providing small loans to low-income groups, often through group lending. Cooperative banks serve local communities with a focus on rural and semi-urban areas. Together, they create a comprehensive credit ecosystem for entrepreneurs.

65. (B) Experiencing a glass ceiling or discrimination in her corporate job.
A push factor in entrepreneurship refers to a negative external circumstance that forces an individual to start their own business. For women, experiencing a glass ceiling or gender-based discrimination in a corporate environment is a significant push factor. These obstacles limit career progression and job satisfaction, leading many women to seek independence and better opportunities through self-employment. Unlike pull factors, which are based on internal ambitions, push factors are reactive responses to an unfavorable professional situation.

66. (A) Kirzner's Theory of Entrepreneurial Alertness
Israel Kirzner's theory of entrepreneurship centers on the concept of 'entrepreneurial alertness.' He proposed that entrepreneurs are individuals who are uniquely sensitive to noticing profit opportunities that arise from market disequilibrium. According to this view, the entrepreneur does not necessarily create new information but rather identifies and acts upon existing information that others have overlooked. This alertness allows them to bridge gaps in the market, thereby improving overall economic efficiency and moving the market toward equilibrium.

67. (A) i, ii and v only
Industrial sickness in small industries is often the result of poor initial planning and subsequent operational failures. Valid reasons for sickness include faulty financial planning, the diversion of funds for non-business purposes, and the use of obsolete technology that reduces competitiveness. Additionally, choosing an inappropriate location for the plant can lead to high logistical costs and limited market access. Conversely, proactive management and favorable government policies are factors that promote the health and success of an industrial unit.

68. (D) Market analysis
Market analysis is a core part of the feasibility study that focuses on understanding the commercial environment of a new venture. This process involves estimating the total sales potential, identifying the specific characteristics of target customers, and conducting a thorough analysis of competitors. By gathering this data, an entrepreneur can determine if there is a viable demand for their product and develop effective pricing and promotion strategies. It is essential for minimizing market risk before launch.

69. (A) Both A and R are true and R is the correct explanation of A.
Developing entrepreneurial competencies is a fundamental goal of entrepreneurship development programs. These programs are based on the premise that essential traits like risk-taking, problem-solving, and perseverance are not purely innate but can be enhanced through structured training and experiential learning. By improving these competencies, individuals increase their ability to navigate challenges and manage a venture successfully. Therefore, targeted education plays a critical role in fostering a new generation of effective and resilient entrepreneurs.

70. (B) The creation of something new versus the adoption of existing ideas.
The primary distinction between an innovative entrepreneur and an imitative one lies in their approach to value creation. An innovative entrepreneur focuses on introducing entirely new products, services, or production methods that disrupt the current market. In contrast, an imitative entrepreneur replicates successful business models that have already been proven elsewhere, often with minor adaptations. While both contribute to economic activity, the innovative entrepreneur drives radical change, whereas the imitative entrepreneur focuses on the diffusion and adaptation of existing ideas.

71. (D) Lack of access to finance and modern technology.
Rural entrepreneurship faces several significant hurdles that limit its potential for growth. Two of the most critical challenges are the lack of access to formal financial credit and the difficulty in adopting modern technology. Rural

NODIA

areas often suffer from poor infrastructure and limited connectivity, which makes it harder for entrepreneurs to compete with urban businesses. Addressing these gaps in finance and technology is essential for empowering rural communities and promoting balanced regional economic development across the country.

72. (A) Gathering support from influential managers and peers within the organization.
Building a coalition is a vital step in the intrapreneurship process within a large corporation. Because an intrapreneur operates within an existing hierarchy, they must gather support from influential managers and peers to move their project forward. This coalition provides the political backing and organizational resources necessary to overcome internal resistance and bureaucratic hurdles. By securing the commitment of key stakeholders, the intrapreneur ensures that their innovative idea has the institutional support required for successful implementation and growth.

73. (C) Protecting SSIs from competition with large-scale industries.
The government's policy of reserving certain items for the small-scale sector was a protective measure designed to ensure the survival and growth of SSIs. By preventing large-scale industries from producing these specific goods, the policy aimed to reduce unfair competition and provide a secure market for smaller manufacturers. This was intended to promote employment and encourage entrepreneurship in sectors where small units could operate efficiently. It reflects the government's commitment to supporting a diverse and inclusive industrial structure.

74. (A) Product Innovation
Product innovation refers to the development and introduction of a new or significantly improved good or service. When a firm creates a completely new material that offers superior properties compared to existing ones, such as being lighter and stronger than steel, it is a clear example of product innovation. This type of advancement can create new markets or disrupt existing ones by offering better performance or value to consumers. It is a key driver of technological progress and competitiveness.

75. (B) 3, 2, 1
The financial ecosystem for small industries is structured from grassroots service providers to national policy-making bodies. Microfinance institutions operate at the local level, providing small-scale credit to individuals and self-help groups. Above them, commercial bank branches provide broader working capital and term loans to established businesses. At the top of this hierarchy is SIDBI, which serves as the national apex body for the promotion, financing, and development of the entire MSME sector, often providing refinancing to other lenders.

76. (B) One who refuses to adopt changes, leading to business decline.
A drone entrepreneur is characterized by a high degree of resistance to any form of change or innovation. These individuals continue to operate using traditional and often outdated methods, even when new technologies could significantly improve their efficiency or profitability. Their refusal to adapt to shifting market conditions or technological advancements eventually leads to a decline in competitiveness and potential business failure. This rigid approach distinguishes them from more proactive types of entrepreneurs who embrace change for growth.

77. (A) Both Statement I and Statement II are correct.
A feasibility study is composed of several specialized analyses that together determine the viability of a business project. The technical analysis specifically focuses on whether the required technology and infrastructure are available and suitable for production. Meanwhile, the financial analysis evaluates the project's ability to generate a profit and its overall financial sustainability. Both components are essential for providing a comprehensive and objective assessment, ensuring that the entrepreneur understands both the operational and financial requirements of the venture.

78. (D) Direct lending to large multinational corporations.
The Small Industries Development Bank of India was specifically established to support the micro, small, and medium enterprise sector. Its core functions include providing seed capital, venture capital assistance, and refinancing loans extended by primary lending institutions.

Click Here to Buy book on Amazon

SIDBI also plays a key role in coordinating the activities of various organizations dedicated to the development of MSMEs. Providing direct loans to large multinational corporations is not part of its mandate, as its focus remains entirely on fostering smaller industrial units.

79. (A) i, ii, and iii only
Identifying business opportunities involves a careful analysis of various external factors that can create a need for new products or services. These opportunities often arise from technological breakthroughs, changes in the political and regulatory environment, or by observing consumer complaints about existing solutions. It is important to distinguish between a business idea and a viable opportunity; while an idea is a creative thought, an opportunity is a validated concept with commercial potential. Not all generated ideas will be viable.

80. (B) Make the unit viable and profitable again.
Rehabilitation of a sick industrial unit is a remedial process designed to restore its financial health and operational efficiency. The goal is to transform a failing business into a viable and profitable entity through a series of corrective measures. These may include debt restructuring, modernization of technology, and managerial improvements. By reviving these units, the process helps in preserving employment, utilizing existing assets, and maintaining industrial production. It is a constructive alternative to the total liquidation of the business.

81. (B) Max Weber
Max Weber's sociological theory of entrepreneurship established a connection between religious values and economic behavior. He proposed that the "Protestant ethic," which emphasizes hard work, thrift, and the rational pursuit of profit, was a significant driver of the development of modern capitalism. According to Weber, these cultural and religious beliefs provided the moral justification for entrepreneurial activity and the accumulation of wealth. This theory highlights the importance of social and cultural contexts in shaping the entrepreneurial spirit and economic development.

82. (A) Factors that attract them towards entrepreneurship, such as the desire for independence and achievement.
In the context of women entrepreneurship, pull factors represent the positive motivations that attract individuals toward starting a business. These include a strong desire for personal independence, the pursuit of achievement, and the need for self-actualization. These internal drives represent a proactive choice to seek empowerment and financial freedom. Pull factors are distinct from push factors, which are negative external circumstances that force individuals into entrepreneurship. Understanding these positive motivators is key to fostering a supportive environment for aspiring women.

83. (A) Both A and R are true and R is the correct explanation of A.
A feasibility study is an indispensable first step in the entrepreneurial journey, conducted before significant resources are committed. This study provides an objective and rational assessment of the proposed venture's strengths, weaknesses, and potential for success. By analyzing environmental opportunities and threats, as well as the necessary resources, it helps entrepreneurs make informed decisions. This rigorous evaluation minimizes the risk of failure by ensuring that only viable and well-prepared business concepts are moved toward the implementation phase.

84. (D) Nature of opportunities, resources, and infrastructure.
The fundamental difference between rural and urban entrepreneurship lies in the unique environmental contexts in which they operate. Rural entrepreneurship is characterized by its reliance on local agricultural or natural resources and often faces challenges related to limited infrastructure and market connectivity. In contrast, urban entrepreneurship benefits from better access to advanced technology, skilled labor, and diverse markets. While the core management principles remain the same, the nature of available opportunities and the resources required to exploit them vary significantly between these two settings.

NODIA

the necessary passion and skills. Together, these assessments provide a comprehensive picture of the project's viability and its alignment with the entrepreneur's strengths.

125. (B) McClelland's Theory of Needs
David McClelland's Theory of Needs identifies three primary motivators that influence entrepreneurial behavior: the need for achievement, power, and affiliation. Among these, the 'need for achievement' is considered the most critical driver for entrepreneurs, who are characterized by their desire to overcome challenges and achieve high standards of performance. This psychological perspective suggests that an individual's internal motivation is a key factor in economic development. Understanding these psychological drives helps in identifying and nurturing entrepreneurial talent within a society, leading to greater innovation and growth.

126. (D) To use peer pressure as a substitute for traditional collateral.
A fundamental feature of micro-finance is the group lending model, often implemented through Self-Help Groups. This approach is designed to overcome the lack of traditional physical collateral among low-income borrowers. By lending to a group, the institution uses peer pressure and mutual accountability as a form of "social collateral" to ensure timely repayment. If one member defaults, the entire group's credit access is affected, encouraging members to support and monitor each other. This innovative method has proven highly effective in ensuring high repayment rates and promoting social cohesion.

127. (A) The intrapreneur personally bears the full financial risk of project failure.
Intrapreneurship involves demonstrating entrepreneurial behavior within an established organization to drive innovation and create new value. While intrapreneurs take hands-on responsibility for their projects, a key distinction from independent entrepreneurs is the nature of the risk involved. The personal financial risk of the project's failure is primarily borne by the corporation, not the individual employee. Intrapreneurs risk their professional reputation and career progression, but they operate using the company's capital and resources. This corporate backing allows for innovation while mitigating the financial consequences for the individual.

128. (B) To offer a single window for approvals and support to entrepreneurs.
District Industries Centres play a vital role at the grassroots level by providing comprehensive support to small and micro-entrepreneurs. Their primary role is to serve as a 'single window' for all necessary approvals, registrations, and assistance required to set up an industrial unit. By consolidating these services, DICs simplify the process of starting a business and reduce bureaucratic delays for local entrepreneurs. They also provide information on government schemes, financial assistance, and raw material availability, making them essential for fostering regional industrial development and entrepreneurship.

129. (B) i, ii, iii and iv only
Entrepreneurs can identify business ideas from a wide variety of creative and observational sources. These include structured brainstorming sessions, careful observation of market trends, and reading industry research reports. Personal hobbies and interests are also significant sources of inspiration, often leading to unique business concepts. However, simply copying a competitor's product without any improvement is a reactive approach that lacks the innovation necessary for true entrepreneurial success. Combining multiple sources of inspiration allows entrepreneurs to develop original and viable business opportunities that create real value.

130. (A) Using funds borrowed for the business for personal or other unrelated purposes.
The diversion of funds is a major internal cause of industrial sickness in small-scale industries. This occurs when capital that was specifically borrowed for business operations or capital investment is instead used for personal expenses or other unrelated activities. This practice starves the business of necessary liquidity and can lead to defaults on loan payments and a decline in operational efficiency. Maintaining strict financial discipline and ensuring that funds are utilized for their intended purpose is critical for the long-term health and sustainability of any industrial unit.

Downloaded from www.pdf.tube

passionate champion for their project to navigate these internal hurdles. By leveraging the firm's resources and obtaining management support, they can successfully launch new ventures that contribute to the company's long-term growth and competitiveness.

92. (B) To assess the operational viability of the business idea.
The primary objective of a technical analysis within a business plan is to evaluate the operational feasibility of the proposed venture. This involves examining the production process, the availability and suitability of the required technology, and the adequacy of the infrastructure and raw materials. By conducting this analysis, the entrepreneur ensures that the business can realistically manufacture and deliver its products or services at the planned scale. It is an essential step for identifying and mitigating potential operational risks before launch.

93. (C) Generate local employment and utilize local resources.
The government actively promotes rural entrepreneurship to achieve several key socio-economic objectives. By encouraging businesses in non-urban areas, these initiatives help generate local employment opportunities and effectively utilize regional raw materials and labor. This process promotes balanced regional development and helps reduce the excessive migration of workers to overcrowded cities. Rural entrepreneurship also helps in preserving traditional skills and improving the overall standard of living in the countryside, contributing to more inclusive and sustainable national economic growth.

94. (D) Maintaining the exact same business operations as last year.
Identifying business opportunities requires a proactive and observational mindset focused on change and improvement. Entrepreneurs find new ideas through systematic market research, analyzing customer feedback, and leveraging technological breakthroughs. These methods allow them to spot emerging trends and unmet needs. In contrast, simply maintaining the exact same business operations without any modification or response to the environment prevents the discovery of new opportunities. Successful entrepreneurship is fundamentally about recognizing and acting upon the potential for innovation and growth.

95. (A) The investment in plant and machinery or equipment.
In India, the official classification of micro, small, and medium enterprises is primarily based on the level of investment in plant and machinery for manufacturing units, or in equipment for service enterprises. These investment thresholds are defined by the government to determine the eligibility for various subsidies, credit facilities, and developmental programs. This classification system ensures that smaller units receive the necessary support and protection to compete effectively. It is a key policy tool for managing industrial development and fostering a vibrant MSME sector.

96. (B) A detailed diagnostic study to identify the causes of sickness.
The rehabilitation of a sick small-scale industrial unit must begin with a thorough diagnostic study. This study is essential for identifying the specific internal and external causes of the unit's financial and operational distress. By understanding why the unit is failing, specialists can determine whether it is potentially viable and develop a customized revival plan. This objective assessment provides the foundation for restructuring debt, modernizing technology, and implementing managerial changes. Without a clear diagnosis, rehabilitation efforts are unlikely to be successful.

97. (B) A social and environmental trend
Business opportunities often emerge from shifts in societal values and environmental concerns. An entrepreneur who starts a venture to manufacture products from discarded waste is responding to the growing global trend of sustainability and eco-consciousness. This opportunity is identified by recognizing a consumer preference for environmentally responsible products and a social need to reduce waste. By aligning a business concept with these powerful social and environmental movements, entrepreneurs can create value while addressing critical challenges, ensuring both commercial viability and positive social impact.

NODIA

98. (A) Micro Finance Institutions focus on providing large, long-term infrastructure loans.
The financial ecosystem for small industries consists of various institutions with specialized roles. Commercial banks are vital for providing working capital, while SIDBI serves as the apex body for refinancing and promotion. Cooperative banks cater to the specific needs of rural and semi-urban entrepreneurs. In contrast, microfinance institutions are designed to provide small, short-term loans and financial services to low-income individuals and groups who lack traditional collateral. Providing large-scale infrastructure loans is the role of specialized industrial development banks or large commercial lenders.

99. (A) i and iii only
The entrepreneurial development process is a structured and systematic journey that can be learned and refined through training. It is not solely dependent on innate talent but involves a continuous cycle of opportunity seeking, meticulous planning, and strategic execution. This process does not end once a business is launched or reaches break-even; it requires ongoing management and adaptation to ensure long-term growth. Recognizing this structured nature is essential for the design of effective education and support systems for aspiring entrepreneurs.

100. (D) 'Gap-filler' who improves efficiency (X-efficiency).
Harvey Leibenstein's theory of entrepreneurship emphasizes the individual's role as a "gap-filler" and an "input-completer" within the economic system. He introduced the concept of X-efficiency to describe how entrepreneurs identify and rectify inefficiencies in organizational processes. According to this view, the entrepreneur's primary function is to optimize the use of existing resources and address missing links in production and management. This focus on improving internal efficiency distinguishes his theory from those that emphasize radical innovation or risk-bearing as the primary entrepreneurial activities.

101. (A) Both A and R are true and R is the correct explanation of A.
The Indian government has introduced numerous schemes specifically designed to promote women entrepreneurship as a key driver of social and economic progress. These initiatives recognize that the economic empowerment of women leads to significant benefits for families and communities, contributing to overall national growth. By providing targeted support, the government aims to overcome traditional barriers and encourage more women to start and lead successful businesses. This approach is essential for achieving gender equality and building a more inclusive and resilient national economy.

102. (B) Push factor
A push factor in entrepreneurship refers to a negative professional situation that motivates an individual to leave their current employment and start a new venture. Frustration with corporate bureaucracy, slow decision-making, or a lack of autonomy are classic examples of such push factors. In this case, the individual is not necessarily drawn by a specific market opportunity but is pushed away from an unsatisfactory corporate environment. This reactive motivation for entrepreneurship highlights the desire for greater control and independence in one's professional life.

103. (D) Assess the demand for the product or service and analyze competition.
Market analysis is a fundamental component of the feasibility study that evaluates the commercial viability of a business idea. Its primary function is to assess the potential demand for the proposed product or service and to conduct a detailed analysis of the competitive landscape. This process involves identifying target customers, understanding their preferences, and evaluating the strengths and weaknesses of existing competitors. The insights gained from market analysis help entrepreneurs develop effective marketing and pricing strategies to capture a share of the market.

104. (A) P-4, Q-3, R-1, S-2
Clarence Danhof's classification of entrepreneurs is based on their attitude toward innovation and change. Innovative entrepreneurs are proactive leaders who introduce new concepts. Imitative entrepreneurs are followers who adopt proven and successful innovations from others. Fabian entrepreneurs are characterized by caution and skepticism, changing only when necessary

Click Here to Buy book on Amazon

for survival. Finally, drone entrepreneurs are laggards who completely resist change, even when it leads to losses. Understanding these behavioral patterns is crucial for analyzing the diffusion of technology and the dynamics of industrial growth.

105. (C) Business Plan
A business plan is a comprehensive written document that serves as a roadmap for a new venture. it outlines the nature of the business, its sales and marketing strategies, and its financial background. A critical component of the plan is the inclusion of projected financial statements, such as profit and loss accounts and cash flow forecasts. This document is essential for guiding the entrepreneur through the startup phase and for communicating the potential of the business to external stakeholders and investors.

106. (C) Statement I is incorrect, but Statement II is correct.
Business innovation is a broad concept that extends far beyond the development of new physical products. While product innovation is important, significant advancements can also occur in marketing methods, organizational structures, and internal processes. For example, implementing a more efficient workflow or adopting a unique distribution channel are both considered vital types of business innovation. These improvements help companies increase efficiency, reach new customers, and maintain a competitive edge. Innovation is about finding better ways to create and deliver value in any part of the business.

107. (D) Providing a moratorium on loan repayment and restructuring the debt.
Rehabilitation measures for a sick industrial unit are designed to provide the financial and operational support necessary for its revival. A common and effective measure is providing a moratorium on loan repayments, which allows the unit to use its cash flow for critical operations instead of debt service. Restructuring the existing debt also helps by making repayments more manageable over a longer period. These measures, combined with fresh capital infusion and managerial improvements, aim to restore the unit's viability and prevent its total failure.

108. (C) i, ii, iii, and iv only
Entrepreneurship development programs are comprehensive initiatives designed to equip aspiring entrepreneurs with the tools for success. These programs focus on developing a blend of technical skills, core entrepreneurial competencies like risk-taking, and essential managerial skills for running a business. They also provide an understanding of the broader business environment and the available support systems. While these programs significantly improve the chances of success, they cannot guarantee a profitable business idea, as market outcomes always involve a degree of inherent uncertainty.

109. (C) The sequence of actions an employee takes to champion a new idea within an organization.
The process of intrapreneurship describes the strategic journey an employee undertakes to bring an innovative idea to fruition within their existing organization. This sequence of actions typically involves identifying an opportunity, developing a concept, and then acting as a "product champion" to secure management support and resources. By navigating the internal corporate structure and overcoming bureaucratic hurdles, the intrapreneur transforms a creative thought into a tangible business reality. This internal innovation process is essential for maintaining corporate competitiveness and fostering a culture of growth.

110. (D) Poor market linkages and lack of access to information.
Rural entrepreneurship in India is often hindered by several critical bottlenecks that limit its growth potential. Two major challenges are the existence of poor market linkages and a significant lack of access to timely and relevant information. Without strong distribution channels and market data, rural entrepreneurs struggle to reach urban consumers and compete effectively. These obstacles, combined with limited infrastructure and finance, make it difficult for rural businesses to scale. Overcoming these barriers is essential for promoting sustainable economic development in the countryside.

111. (A) Detailed competitor marketing strategies
The financial plan section of a business plan focuses exclusively on the quantitative

Downloaded from www.pdf.tube

projections and requirements of the venture. It typically includes projected balance sheets, cash flow statements, and a break-even analysis to demonstrate financial viability. While understanding competitor strategies is crucial for the marketing section, these details are not part of the financial projections themselves. The financial section serves to provide a clear picture of the project's funding needs, its potential for profitability, and its expected financial performance over time for potential investors.

112. (A) 2, 4, 1, 5, 3
The entrepreneurial development process follows a logical sequence to move from a concept to a sustainable enterprise. It begins with idea generation and is followed by a thorough evaluation of the identified opportunity. Once validated, the entrepreneur develops a comprehensive business plan to guide execution. This is followed by the mobilization of necessary resources, including capital and talent. The final stage involves the formal launch and the ongoing management of the enterprise to ensure its long-term success and growth in the competitive market.

113. (B) Intrapreneur
An intrapreneur is an employee who uses their entrepreneurial skills to drive innovation and create new products or ventures within an existing corporation. Unlike an independent entrepreneur, they utilize the resources, infrastructure, and financial backing of their employer to bring ideas to life. By taking hands-on responsibility for internal projects, they help their organization adapt to market changes and maintain a competitive advantage. This role allows individuals to exercise their creativity and leadership without bearing the full personal financial risk of business ownership.

114. (A) Both A and R are true and R is the correct explanation of A.
Sickness in small industries is a multifaceted problem caused by a combination of factors both within and outside the control of the business owner. Internal factors often include managerial incompetence, poor financial control, and inadequate planning. External factors encompass shifts in the broader economy, such as recession, or changes in government policies and market demand. A comprehensive understanding of both internal and external causes is essential for diagnosing the health of an industrial unit and for developing effective strategies for its revival and long-term sustainability.

115. (C) Process Innovation
Process innovation involves the implementation of a new or significantly improved production or delivery method that enhances operational efficiency. When a food delivery company uses an advanced algorithm to optimize delivery routes, it is improving the way its service is delivered. This type of innovation focuses on reducing costs, saving time, and optimizing resources rather than changing the product itself. By refining internal workflows and logistics, companies can achieve higher productivity and provide better service to their customers, gaining a significant competitive advantage.

116. (B) i, iii, and iv only
Women entrepreneurs frequently face a unique set of challenges that can hinder their business growth and success. These include a lack of family support, deep-seated societal stereotypes, and significant difficulties in professional networking due to mobility constraints. Furthermore, balancing business leadership with domestic and family responsibilities remains a major hurdle for many. While government policies aim to improve credit access, equal and collateral-free finance is not yet universally available, making financial management a persistent challenge that requires targeted support and societal change.

117. (C) Assess the overall financial viability and potential for return on investment.
The primary purpose of conducting a financial feasibility analysis is to determine whether a proposed business idea is economically viable and capable of generating a profit. This study involves preparing detailed financial projections, including income statements and cash flow forecasts, to estimate capital requirements and potential returns. By evaluating the project's financial health and determining the break-even point, entrepreneurs can make informed decisions about whether to commit resources to the venture. It is a critical tool for minimizing financial risk and attracting potential investors.

NODIA

118. (B) Offering working capital finance
Commercial banks play a crucial role in supporting small-scale industries by providing essential financial services, particularly working capital finance. This credit is necessary for managing the daily operational costs of a business, such as purchasing raw materials and paying wages. By maintaining the liquidity of SSIs, commercial banks ensure their smooth functioning and stability. While they also provide long-term loans, their role as a primary source of working capital is vital for the sustainability of small businesses in a competitive environment.

119. (D) It is timely, attractive, and creates value.
A business idea only becomes a true opportunity when it possesses specific characteristics that make it commercially viable. A genuine opportunity must be timely, meaning it aligns with current market needs, and attractive enough to interest customers. Most importantly, it must create or add value for the buyer by solving a problem or fulfilling an unmet need. While an entrepreneur's passion is important, the commercial potential and market relevance of the concept are what distinguish a successful business opportunity from a simple idea.

120. (A) Funds from unregulated private money lenders
Institutional finance refers to capital provided by organized and regulated financial entities that follow established rules and government policies. In India, this includes commercial banks, cooperative banks, and specialized development institutions like SIDBI. These organizations provide structured loans and financial services to support industrial growth. In contrast, funds from unregulated private money lenders are considered informal finance. Such sources are outside the official financial system and often lack the protections and standardized terms provided by formal institutional lenders for small-scale industries.

121. (C) The process by which new innovations replace outdated ones, leading to economic change.
Joseph Schumpeter's concept of "creative destruction" describes the fundamental process of industrial transformation in a capitalist economy. It refers to the way in which revolutionary innovations dismantle established business models and outdated products to make way for more advanced and efficient ones. This continuous cycle of destruction and creation is driven by entrepreneurs who introduce new technologies and processes. While this process can be disruptive to existing firms, it is essential for long-term economic progress, technological advancement, and the dynamic evolution of modern markets.

122. (C) Statement I is correct, but Statement II is incorrect.
Rural entrepreneurship is a powerful tool for economic development, as it helps absorb surplus labor and reduce disguised unemployment in the agricultural sector. These enterprises are typically characterized by their small scale, labor-intensive nature, and use of local resources rather than being capital-intensive. By providing non-farm employment opportunities, they improve rural incomes and curb migration to urban centers. Promoting these ventures is essential for balanced regional growth and for building a resilient and diversified economy within rural communities across the nation.

123. (D) Defining the business concept, vision, and mission.
Developing a business plan is a structured process that should ideally begin with a clear definition of the business concept, vision, and mission. This foundational step establishes the core identity of the venture and its long-term objectives. While the executive summary is often presented first in the final document, it is usually written last to accurately reflect all details of the plan. Defining the core concept early ensures that all subsequent sections, such as marketing and finance, are aligned with the entrepreneur's primary goals.

124. (C) P-3, Q-1, R-4, S-2
The screening of business ideas involves evaluating them through several distinct lenses to ensure their potential for success. Market feasibility determines if there is sufficient demand for the product, while technical feasibility assesses if the product can be manufactured with current technology. Financial feasibility evaluates whether the venture can generate adequate returns. Finally, entrepreneurial fit considers whether the entrepreneur possesses

Click Here to Buy book on Amazon

85. (C) Fabian Entrepreneur - Adopts successful ideas from others
Different types of entrepreneurs exhibit distinct attitudes toward innovation and change. An innovative entrepreneur is the first to introduce new concepts, while an imitative entrepreneur quickly follows by adopting successful models. A Fabian entrepreneur is characterized by a highly cautious and skeptical approach, choosing to adopt proven innovations only when it is necessary for survival. Finally, a drone entrepreneur is one who completely resists change, even when it is detrimental to the business. These classifications help in understanding entrepreneurial behavior and market dynamics.

86. (B) P-3, Q-4, R-1, S-2
A comprehensive business plan consists of several key sections that detail different aspects of the venture. The executive summary provides a concise overview of the entire plan. The marketing plan outlines strategies for pricing, promotion, and distribution. The operations plan describes daily activities and infrastructure requirements. Finally, the financial plan includes essential projections like income statements and cash flow analysis. Together, these sections provide a holistic view of the business strategy and execution roadmap, which is essential for both management and potential investors.

87. (D) Inefficient management and diversion of funds
Industrial sickness can be caused by factors within the control of the business, known as internal causes. Inefficient management, poor strategic planning, and the diversion of funds for unrelated or personal use are classic examples of such internal failures. These issues directly undermine the financial health and operational efficiency of the industrial unit. While external economic conditions like recession or raw material scarcity also play a role, addressing internal managerial and financial deficiencies is the primary responsibility of the entrepreneur to ensure business survival.

88. (A) Actively consulting experts and conducting market research to understand a problem.
Information seeking is a core entrepreneurial competency that involves a proactive effort to gather data and insights to make informed business decisions. An entrepreneur demonstrates this competency by actively conducting market research, consulting with industry experts, and investigating the root causes of business problems. Instead of relying solely on intuition or waiting for others to provide answers, they take the initiative to uncover relevant information. This habit of thorough investigation reduces uncertainty and improves the quality of strategic planning and problem-solving.

NODIA

89. (B) ii, iii and v only
Micro and small-scale industries are vital components of the Indian economy due to their unique characteristics. These units are typically labor-intensive, providing significant employment opportunities with relatively low capital investment. They also contribute substantially to the nation's exports and play a key role in the decentralization of industrial activity across different regions. By operating in both urban and rural areas, they promote balanced regional development. Their ability to foster local entrepreneurship and utilize regional resources makes them essential for inclusive growth.

90. (A) Joseph Schumpeter
Joseph Schumpeter introduced the concept of "creative destruction" to describe the dynamic nature of entrepreneurial activity in a capitalist economy. He argued that entrepreneurs drive progress by introducing radical innovations that dismantle established industries and outdated business models. This continuous process of replacing the old with the new ensures that the economy remains vibrant and technologically advanced. According to Schumpeter, the entrepreneur is the central figure who orchestrates this transformation, making innovation the primary driver of long-term economic growth and structural change.

91. (C) Statement I is incorrect, but Statement II is correct.
Intrapreneurship requires an organizational culture that supports creativity and provides employees with the autonomy to pursue new ideas. A bureaucratic and rigid corporate structure typically stifles such innovation by imposing excessive rules and resistance to change. A successful intrapreneur, often called a corporate entrepreneur, must act as a

131. (C) Risk-taking orientation
Risk-taking orientation is a fundamental entrepreneurial competency that involves the ability to make decisions under conditions of uncertainty. Entrepreneurs demonstrate this trait by taking calculated risks, where they carefully weigh the potential rewards against the potential losses before committing resources. This is distinct from gambling; it is a rational approach to pursuing opportunities where the outcome is not guaranteed. By embracing uncertainty and managing it strategically, entrepreneurs can pursue innovative projects that lead to value creation and business growth in a dynamic and competitive market environment.

132. (D) Marketing Innovation
Marketing innovation refers to the implementation of a new marketing method that involves significant changes in product design, packaging, placement, or promotion. When a company changes its logo, tagline, and overall brand image to appeal to a new demographic, it is a clear example of marketing innovation. This strategy aims to improve the product's market position, increase brand awareness, and better meet the needs of target consumers. It focuses on how the product is perceived and promoted in the marketplace, which is essential for long-term brand relevance.

133. (D) A is false but R is true.
A business plan is a versatile document that serves both internal and external purposes. While it provides an internal roadmap for the entrepreneur, it is also a vital communication tool for external stakeholders. Investors, bankers, and venture capitalists rely heavily on the business plan to evaluate a venture's potential before committing any financial resources. It articulates the business vision, strategy, and financial forecasts, providing the information necessary for others to make informed decisions. A well-prepared plan is essential for building credibility and securing the capital needed for growth.

134. (B) A venture collecting and selling honey and herbs from a forest.
Forest-based rural entrepreneurship involves businesses that utilize natural resources found in forest areas as their primary raw material. A venture that collects and sells forest products like honey, medicinal herbs, or timber is a classic example. These enterprises are significant for providing livelihoods to tribal and rural communities living near forested regions. By sustainably utilizing these natural resources, such ventures contribute to the local economy while also promoting the conservation of forest ecosystems. This form of entrepreneurship is essential for inclusive and environmentally responsible regional development.

135. (D) Innovative
According to Clarence Danhof's classification, innovative entrepreneurs are the most likely to drive the process of "creative destruction." These individuals are characterized by their proactive approach to introducing groundbreaking products and technologies that disrupt existing markets and displace outdated business models. By constantly seeking new and more efficient combinations of production factors, they drive economic transformation and technological progress. Their role as agents of radical change makes them the primary drivers of long-term economic growth and the dynamic evolution of industries in a modern capitalist society.

136. (A) Technical Feasibility
Technical feasibility analysis is a critical component of the business planning process that evaluates the practical ability to produce a product or service. This study focuses on assessing the availability of required raw materials, the suitability of production technology, and the overall efficiency of the plant layout. By conducting this analysis, entrepreneurs can ensure that the project is operationally viable and that they have the necessary infrastructure to meet production targets. It is a vital step for identifying and mitigating operational risks before significant resources are committed.

137. (C) Shortage of unskilled labor
Small-scale industries in India face a variety of challenges that impede their growth and stability. Common problems include a lack of access to adequate credit, difficulties in reaching global markets, and the use of outdated technology. However, a shortage of unskilled labor is generally not considered a typical problem, as there is often an abundant supply of such labor in most regions. Instead, the real challenge for SSIs

Downloaded from www.pdf.tube

these symptoms is crucial for implementing rehabilitation measures, such as debt restructuring and modernization, to prevent the total failure and liquidation of the industrial unit.

164. (B) P-3, Q-4, R-2, S-1
The financial ecosystem for small businesses in India consists of several institutions with specialized roles. SIDBI acts as the apex institution for MSME promotion and refinancing. Commercial banks are the primary source of working capital and term loans for general business needs. Microfinance institutions specialize in providing small-scale credit to low-income groups and self-help groups. Cooperative banks primarily serve local communities, often with a member-based approach in rural and semi-urban areas. Together, these organizations provide a comprehensive range of financial services tailored to the needs of different types of entrepreneurs.

165. (C) A negative situation, such as job loss or dissatisfaction.
A push factor in entrepreneurship refers to a negative external circumstance that motivates an individual to start their own business as a reactive measure. Classic examples include job loss, dissatisfaction with current employment, or a lack of career opportunities in a corporate setting. In these cases, the individual is "pushed" into entrepreneurship by a desire to escape an unfavorable situation rather than being purely "pulled" by a specific market opportunity. This reactive motivation highlights the role of entrepreneurship as a tool for personal economic resilience and professional independence.

166. (B) Personal Innovation
Innovation in a business context is typically categorized into four main types: product, process, marketing, and organizational. Product innovation involves new goods, while process innovation focuses on better production methods. Marketing innovation deals with new methods of promotion and pricing, and organizational innovation involves restructuring business practices. While individuals can be personally innovative, "personal innovation" is not a standard category within the recognized business classifications. Understanding these standard types helps companies strategically direct their efforts toward specific areas of improvement to gain a competitive advantage and drive overall growth.

167. (B) ii, iii, and iv only
The intrapreneurship process thrives within an established organization when there is a supportive culture that tolerates failure and encourages risk-taking. A critical component is the presence of a 'product champion' who actively advocates for the new idea and navigates internal hurdles. Resources for these projects are often allocated through a structured internal venture capital process. Importantly, the intrapreneur does not operate with complete independence and does not bear personal financial liability for the project's failure; the corporation provides the capital and assumes the associated financial risks.

168. (A) The detailed manufacturing process of the product.
The market analysis section of a business plan is designed to evaluate the commercial environment and potential of the venture. It focuses on the target customer profile, the size and growth of the market, and a detailed assessment of competitors. While understanding how a product is made is essential for the operations and technical plans, it is not a part of the market analysis itself. Instead, market analysis provides the data necessary to develop effective sales, pricing, and promotion strategies to ensure the product's successful market entry.

169. (A) Both A and R are true and R is the correct explanation of A.
Rural entrepreneurs often encounter significant obstacles in marketing their products effectively compared to their urban counterparts. These challenges are primarily driven by inadequate infrastructure, such as poor roads and limited storage, which makes reaching wider markets difficult. Additionally, a lack of direct market access often leads to exploitation by middlemen who take a significant share of the profits. These systemic barriers make it harder for rural businesses to scale and compete. Addressing these marketing challenges through better infrastructure and direct linkages is essential for the success of rural entrepreneurship.

NODIA

environment of the proposed venture. It involves conducting studies to forecast demand, evaluate the competitive landscape, and determine appropriate pricing strategies for the product or service. This analysis helps the entrepreneur understand whether there is a sufficient customer base and how to position the business to capture a share of the market. The data gathered during market analysis is essential for making informed decisions about marketing, sales, and overall business strategy before launch.

145. (A) Both A and R are true and R is the correct explanation of A.
Micro-finance has become a powerful tool for social and economic empowerment, particularly for the poor and women in rural areas. By providing access to small-scale credit, these services enable individuals to start their own small businesses and generate a sustainable income. The use of Self-Help Groups provides the necessary social collateral to ensure high repayment rates even without physical assets. This financial independence leads to improved standards of living and greater empowerment within families and communities, making micro-finance a key strategy for inclusive development and poverty alleviation.

146. (A) Establishment of industrial estates and sheds.
The government supports the growth of Small Scale Industries through several proactive measures aimed at providing essential infrastructure. The establishment of industrial estates and sheds is a prime example, as it provides entrepreneurs with affordable and ready-to-use factory space. This reduces the initial capital requirement and logistical hurdles for starting a new unit. Other supportive roles include providing tax incentives and marketing assistance. These initiatives are designed to create a conducive environment for entrepreneurship and to promote balanced industrial development across different regions of the country.

147. (C) Unforeseen shortage of a critical raw material in the market
Industrial sickness can be triggered by external factors that are beyond the control of the unit's management. An unforeseen and severe shortage of a critical raw material in the market is a classic external cause, as it can halt production and lead to significant financial losses. While internal issues like poor planning or mismanagement are within the entrepreneur's control, external shocks require the business to be highly adaptable. Understanding these external risks is crucial for developing robust contingency plans and for the overall strategic resilience of a small industrial enterprise.

148. (B) P-4, Q-2, R-1, S-3
Entrepreneurship involves several interconnected concepts that are essential for venture success. Entrepreneurial competencies refer to the specific set of traits and skills needed to create and manage a business effectively. An intrapreneur is an employee who drives innovation within an existing firm. The business plan serves as a detailed roadmap for executing the business strategy. Finally, feasibility analysis is a preliminary test used to determine if a business idea is viable. Together, these elements provide the framework for professional entrepreneurial planning and successful business management.

149. (C) Fabian entrepreneur
A Fabian entrepreneur is characterized by an extremely cautious and skeptical attitude toward innovation and change. These individuals typically wait until they are pressurized by competitive forces or a significant threat of losing market share before adopting new technologies or methods. Their decision-making is driven more by the fear of loss than by a proactive desire for growth. This conservative approach distinguishes them from more dynamic entrepreneurs who embrace change as a source of competitive advantage. Fabian behavior often leads to a reactive and slow-moving business strategy.

150. (B) ii, iii, and v only
The development of entrepreneurial competencies is a dynamic and continuous process that can be facilitated through structured training and mentorship. Essential competencies like initiative, problem-solving, and persistence are not fixed at birth but can be learned and refined over time. Entrepreneurship development programs play a crucial role in this by helping individuals acquire new skills and adopt a positive entrepreneurial mindset. Recognizing that these traits can be developed is fundamental for expanding the pool of successful

Click Here to Buy book on Amazon

entrepreneurs and for fostering innovation and resilience in the business community.

151. (A) Both Statement I and Statement II are correct.
A business plan is a versatile document that serves both internal and external audiences. For the entrepreneur, it acts as a primary strategic guide and roadmap for business development. Externally, the plan is essential for communicating the venture's potential to bankers, investors, and other stakeholders who use it to make critical funding decisions. By detailing the market strategy and financial projections, the business plan builds credibility and provides a basis for evaluating the business's viability. A well-crafted plan is therefore indispensable for both management and capital mobilization.

152. (A) An entrepreneur is primarily a risk-taker and innovator, while a manager is primarily an administrator of existing resources.
The fundamental distinction between an entrepreneur and a manager lies in their core functions and orientation. An entrepreneur is primarily focused on innovation, identifying new opportunities, and bearing the risks associated with creating a new venture. In contrast, a manager is responsible for the efficient administration and optimization of an existing organization's resources. While an entrepreneur drives change and growth through new ideas, a manager ensures stability and operational efficiency through effective planning and control. Both roles are essential but serve different purposes in the lifecycle of a business.

153. (C) A diagnostic study has been conducted to determine the causes of sickness and its revival potential.
A rehabilitation plan for a sick industrial unit is developed only after a comprehensive diagnostic study has been completed. This study is essential for identifying the specific internal and external factors that led to the unit's financial distress. It also evaluates the unit's potential for being revived and becoming profitable again. Based on these findings, a customized plan is created that may involve debt restructuring, technological modernization, or managerial changes. This objective approach ensures that rehabilitation efforts are targeted and have a realistic chance of returning the unit to financial health.

NODIA

154. (A) Marketing Innovation
Marketing innovation involves the implementation of a new marketing method that includes significant changes in a product's design, packaging, or placement. A significant change in the aesthetic design or packaging intended to make a product more attractive to consumers is a classic example. This type of innovation focuses on enhancing the product's marketability and reaching new customer segments without necessarily altering the core functionality or the production process. It is a key strategy for maintaining brand relevance and competitiveness in consumer-driven markets where visual appeal is critical.

155. (A) 2, 3, 4, 1
The financial ecosystem for small industries in India operates across multiple levels, from grassroots organizations to national apex bodies. At the most local level are Self-Help Groups, which provide small-scale credit to their members. Commercial bank branches operate above them, providing broader loans and banking services. NABARD plays a key role in the rural non-farm sector, focusing on agriculture and rural development. At the highest level is SIDBI, the national apex institution for the promotion and development of the entire MSME sector, providing policy guidance and refinancing facilities.

156. (B) To create non-farm opportunities and check migration to urban areas.
The primary objective of rural entrepreneurship is to drive economic growth in non-urban areas by creating diverse non-farm employment opportunities. By establishing small manufacturing, service, or handicraft units in villages, these ventures help reduce the excessive migration of workers to overcrowded cities. This process promotes balanced regional development and improves the overall quality of life in rural communities. Rural entrepreneurship also focuses on utilizing regional resources and preserving traditional skills, making it a vital strategy for inclusive and sustainable national economic growth and social development.

157. (D) A is false but R is true.
A feasibility analysis and a business plan serve distinct but essential purposes in the

entrepreneurial process. The feasibility study is a preliminary investigation designed to determine if a business idea is viable and worth pursuing. It focuses on identifying potential obstacles and the likelihood of success. Once an idea is proven feasible, the business plan is developed as a comprehensive document that outlines the strategic and operational details for executing the venture. Therefore, while both are critical, the business plan is a more detailed roadmap created after viability has been established.

158. (D) Trend analysis
Trend analysis is a powerful tool used by entrepreneurs to identify new business opportunities by studying shifts in the external environment. This process involves monitoring changes in demographic patterns, evolving social values, and shifting consumer lifestyles over time. By recognizing these emerging patterns, entrepreneurs can develop products or services that align with future market needs. This proactive approach allows them to stay ahead of competitors and capture new markets as they develop. Successful trend analysis requires a keen observational sense and the ability to translate social changes into viable business concepts.

159. (B) ii and iv only
The entrepreneurial process is a continuous and dynamic cycle of identifying opportunities, marshalling necessary resources, and creating value. It is not a rigid or purely linear process, as entrepreneurs must constantly adapt to changing market conditions and new information. Managing growth and effectively navigating early operational crises are integral parts of the journey as the venture matures. Success in this process requires a combination of strategic planning and the flexibility to pivot when necessary. Recognizing the multifaceted nature of this process is essential for long-term sustainability and business resilience.

160. (B) Imitative Entrepreneur
An imitative entrepreneur is one who replicates successful business models that have already been established in other markets. Bringing a popular foreign fast-food chain to a new country and making minor adaptations for local tastes is a classic example. This approach allows the entrepreneur to benefit from a proven concept and an existing brand reputation while minimizing the risks of entirely new innovations. By adapting successful ideas to local conditions, imitative entrepreneurs play a vital role in diffusing new products and services and improving market variety and competitive standards.

161. (B) A business feasibility analysis
A business feasibility analysis is a comprehensive study that evaluates the viability of a proposed project through several distinct lenses. It includes technical analysis to assess production capabilities, market analysis to estimate demand and competition, and financial analysis to determine potential profitability. Together, these components provide a holistic view of the project's chances for success. This detailed evaluation is essential for making informed decisions about whether to commit significant resources to a new venture. It serves as a critical preliminary step before the development of a full-scale business plan.

162. (C) Statement I is correct, but Statement II is incorrect.
Institutional finance refers to capital provided by organized and legally regulated financial institutions that operate under government-approved frameworks. This includes commercial banks, development banks, and cooperative credit organizations that provide structured and transparent financial services. In contrast, unregulated money lenders are considered part of the informal financial sector. They operate outside the official regulatory system and often lack the consumer protections and standardized terms associated with institutional finance. For small industries, relying on formal institutional credit is essential for sustainable growth and accessing professional financial support.

163. (C) Erosion of net worth and persistent cash losses.
Industrial sickness in a small-scale unit is a state of severe financial distress that threatens its continued existence. It is characterized by persistent cash losses and a continuous decline in the unit's net worth, often leading to a state where the business cannot meet its financial obligations. This condition indicates a failure of the business's current operational and financial model. Identifying sickness early through

NODIA

the development of the rural sector in India. Its primary role is to provide financial and developmental support for agriculture and the rural non-farm sector, which includes rural entrepreneurship. NABARD offers refinancing facilities to banks and other institutions that provide credit to rural businesses. By supporting small-scale manufacturing, handicrafts, and services in villages, it plays a vital role in generating local employment and promoting balanced regional growth. Its localized presence is essential for fostering a vibrant rural economy.

177. (C) Statement I is true, but Statement II is false.
Identifying a business opportunity requires a rigorous assessment of an idea's commercial potential. A genuine opportunity must be based on a product or service that creates or adds real value for the consumer and solves a specific problem. In contrast, not every business idea is a viable opportunity. Many ideas lack market demand, technical feasibility, or a path to profitability. Successful entrepreneurship involves the ability to filter through numerous ideas to recognize those rare opportunities that are both achievable and marketable in a competitive and dynamic business environment.

178. (A) Generating large-scale employment with low capital investment.
Micro and small-scale industries provide a significant contribution to the Indian economy, primarily through their ability to generate large-scale employment with relatively low capital requirements. These units are generally labor-intensive and are capable of absorbing surplus labor from both urban and rural areas. By fostering local entrepreneurship and decentralized industrial activity, they promote inclusive growth and balanced regional development. Their role in supporting livelihoods and contributing to industrial output and exports makes them a vital pillar of the nation's economic structure and overall social stability.

179. (B) i, iii, and v only
An intrapreneur is an employee who demonstrates entrepreneurial initiative by developing new products or ventures within an existing corporation. Their primary role involves acting as a "product champion," taking an innovative idea from conception to implementation using the company's capital and resources. While they exercise significant creativity and leadership, they remain part of the corporate structure and are generally subject to its policies. Importantly, intrapreneurs do not bear personal financial liability for project failure; the corporation assumes the financial risks, while the individual risks their professional reputation and career.

180. (D) Immediate and forced sale of all assets below market value.
The rehabilitation process for a sick small-scale industrial unit is a restorative effort aimed at reviving its financial and operational viability. Typical measures include debt restructuring, such as a waiver of interest, and the infusion of fresh capital for modernizing technology. Technical and managerial assistance is also provided to improve efficiency. In contrast, an immediate and forced sale of assets below market value is a measure associated with liquidation and total closure rather than revival. The goal of rehabilitation is to keep the business operational and restore its long-term health.

181. (C) The entrepreneur's alertness to disequilibrium and profit opportunities.
Israel Kirzner's theory of entrepreneurship emphasizes the vital role of "entrepreneurial alertness." According to this perspective, entrepreneurs are individuals who are uniquely sensitive to noticing market disequilibrium and the profit opportunities it creates. They do not necessarily create new information but instead identify and act upon existing information that others have overlooked. This alertness allows them to bridge gaps between supply and demand, thereby improving market efficiency and moving the economy toward equilibrium. This focus on being alert to unnoticed opportunities is a key distinguishing feature of his theoretical framework.

182. (B) Appropriate technology and machinery
Technical analysis is a critical component of the feasibility study that focuses on the physical and operational aspects of a new project. Its primary goal is to evaluate whether the required product can be realistically manufactured using available technology and infrastructure. This involves assessing the suitability of machinery, the availability of raw materials, and the efficiency

Downloaded from www.pdf.tube

170. (A) Self-confidence
Self-confidence is a vital entrepreneurial competency that involves a strong belief in one's own ability to achieve goals and overcome professional challenges. This internal trait enables entrepreneurs to make difficult decisions, persevere through setbacks, and maintain focus in the face of uncertainty. Highly self-confident individuals are more likely to take the initiative and inspire trust in stakeholders like investors and employees. While it must be balanced with realism, a positive self-belief is essential for driving a new venture forward and navigating the inherent complexities of the business environment.

171. (D) Detailed feasibility study
The screening of business ideas is a multi-stage process intended to filter out concepts with the lowest potential for success. The final and most rigorous stage of this process, before committing to a full business plan, is the detailed feasibility study. This study provides an objective and comprehensive assessment of the technical, market, and financial aspects of the proposed venture. By uncovering potential risks and requirements early on, the feasibility study ensures that the entrepreneur only invests significant resources in business ideas that have a validated and realistic path to commercial success.

172. (B) Highly cautious and skeptical, adopting innovations only when it is essential for survival.
A Fabian entrepreneur is distinguished by a conservative and cautious attitude toward business innovation. These individuals are typically skeptical of new methods and are reluctant to take significant risks. They generally choose to adopt proven innovations only when they are pressurized by competitive forces or when it becomes absolutely necessary for the continued survival of the business. This reactive approach distinguishes them from more proactive entrepreneurial types. While they eventually adapt, their slow response to change can limit their growth and make them vulnerable in rapidly evolving and dynamic market environments.

173. (C) To tap into underutilized economic potential and promote overall gender equality.
Promoting women entrepreneurship is a strategic objective aimed at unlocking a significant source of underutilized economic potential within the workforce. By encouraging more women to lead businesses, societies can drive innovation, create more jobs, and foster overall gender equality. The economic empowerment of women has been shown to have positive multiplier effects on families and communities, leading to improved social and economic outcomes. This goal goes beyond simple regulatory compliance; it is a fundamental strategy for achieving more inclusive, resilient, and sustainable national development in the modern economy.

174. (D) A continuous decline in production relative to capacity.
Industrial sickness in a small-scale unit is revealed through specific negative symptoms that indicate a decline in health. A continuous decline in production levels relative to the installed capacity is a significant early warning sign of such distress. This trend often reflects underlying problems such as a lack of demand, technical obsolescence, or severe financial constraints. Other symptoms include frequent defaults on debt payments and persistent cash losses. Recognizing these symptoms early is essential for performing a diagnostic study and implementing effective rehabilitation measures to prevent the business's total failure.

NODIA

175. (A) 4, 2, 3, 5, 1
A well-structured business plan follows a logical flow to present the venture's strategy effectively. It typically starts with an executive summary that provides a concise overview of the entire plan. This is followed by a detailed company description and a thorough market analysis. The plan then outlines the operational details, including daily activities and resource requirements. Finally, it includes financial projections to demonstrate the project's viability and profitability. While parts like the executive summary are written last, they are presented first to capture the interest of potential investors and partners.

176. (B) NABARD
The National Bank for Agriculture and Rural Development is an apex institution focused on

and strategic direction, making it essential for securing professional and financial support.

189. (D) ii, iii, and v only
Microfinance is a specialized financial service focused on providing small-scale loans and savings to low-income individuals who lack access to traditional banking. It often uses innovative models like group lending to Self-Help Groups, where peer pressure serves as a substitute for physical collateral. The primary goal of microfinance is to achieve financial inclusion and empower the poor to build economic assets through self-employment. While interest is charged to ensure the sustainability of the institution, the focus remains on providing accessible and socially responsible credit to marginalized communities to improve their living standards.

190. (C) Statement I is incorrect, but Statement II is correct.
Commercial banks play a crucial role in the financial ecosystem by providing essential credit to small and medium enterprises. While high-risk venture capital is typically provided by specialized investors, commercial banks are a major source of working capital finance. They offer various instruments, such as cash credit and overdrafts, that enable businesses to manage their daily operational expenses and maintain liquidity. By providing these structured credit facilities, commercial banks ensure the stability and smooth functioning of SSIs, which is vital for their long-term growth and competitiveness in the modern market.

191. (A) The development of a product or service to fulfill that need.
In entrepreneurship, identifying a market need acts as the primary "cause" that triggers a series of strategic actions. The direct "effect" of this identification is the development of a specific product or service designed to fulfill that unmet need. This process of value creation is the core function of an entrepreneur. While identifying a need is the starting point, success depends on the entrepreneur's ability to transform that insight into a tangible and marketable solution. This cause-and-effect relationship is what drives innovation and the creation of new business ventures in the economy.

192. (B) To filter out ideas that are impractical or have low potential, saving time and resources.
The primary objective of screening business ideas is to evaluate a wide range of concepts and filter out those that are impractical or have low commercial potential. This early-stage evaluation is essential for saving valuable time and resources that would otherwise be wasted on detailed planning for flawed ideas. By applying specific criteria related to market demand, technical feasibility, and alignment with the entrepreneur's skills, the screening process ensures that only the most promising opportunities move forward. Effective screening is a critical step for maximizing the efficiency of the entrepreneurial development process.

193. (B) Corporate venturer
An intrapreneur is often referred to as a "corporate venturer" because they demonstrate entrepreneurial behavior and drive innovation within the context of an established corporation. Like an independent entrepreneur, they identify new opportunities and take hands-on responsibility for bringing them to life. However, they do so using the resources, infrastructure, and financial backing of their employer. This role allows large organizations to foster internal innovation and launch new ventures while providing talented employees with a platform for creativity and leadership. Intrapreneurship is a key strategy for corporate growth and maintaining market relevance in a dynamic environment.

194. (A) Frequent requests for exceeding cash credit limits and defaults in payment.
Banks monitor certain early warning signals to detect potential industrial sickness in a small-scale unit. Frequent requests for exceeding cash credit limits and recurring defaults in loan repayments are significant indicators of severe financial distress and poor liquidity management. These symptoms suggest that the business is no longer generating enough revenue to cover its operational costs and debt obligations. Recognizing these signals early allows banks and entrepreneurs to take corrective measures, such as debt restructuring or a detailed diagnostic study, to revive the unit and prevent total failure and eventual liquidation.

Click Here to Buy book on Amazon

of the production process. By conducting this analysis, entrepreneurs ensure that the project is technically viable and that they have the necessary resources to meet production goals. It is essential for minimizing operational risks before launch.

183. (A) Both A and R are true and R is the correct explanation of A.
The government's proactive role in promoting Small Scale Industries is essential for ensuring a balanced and inclusive industrial sector. SSIs play a vital role in creating employment, utilizing local resources, and fostering regional development, particularly in rural and semi-urban areas. However, these smaller units often face significant disadvantages when competing with large corporations, such as limited access to finance and modern technology. Therefore, government support through supportive policies, subsidies, and infrastructure development is necessary to protect SSIs and enable them to contribute effectively to the national economy.

184. (A) Market Analysis
Market analysis is a core component of the feasibility study that evaluates the commercial environment of a new venture. When a prospective entrepreneur studies the demand for a product and analyzes the pricing strategies of competitors, they are conducting market analysis. This process helps determine if there is a sufficient customer base and how to position the product to gain a competitive advantage. The insights gained from this analysis are essential for developing effective marketing and sales strategies, ensuring that the business concept is marketable and has a realistic path to success.

185. (C) They are quick to imitate successful competitors.
A drone entrepreneur is characterized by a complete resistance to any form of change and a rigid adherence to traditional methods of operation. These individuals are referred to as laggards because they are the last to adopt new technologies or methods, even when their refusal to change leads to losses or a decline in competitiveness. Unlike imitative entrepreneurs who quickly follow successful innovations, drone entrepreneurs are slow to react to market changes and generally lack the flexibility needed to adapt. This rigid approach often results in the eventual obsolescence and failure of their business units.

186. (B) P-3, Q-2, R-1, S-4
Various forms of entrepreneurship face unique sets of challenges and characteristics. Intrapreneurship requires corporate backing and the autonomy to innovate within a firm. Women entrepreneurship is often complicated by the burden of dual roles and significant societal barriers. Rural entrepreneurship is primarily hindered by a lack of infrastructure and poor market linkages. Finally, industrial sickness is characterized by a continuous erosion of net worth due to persistent financial losses. Understanding these distinct features is essential for developing targeted policies and support systems to foster entrepreneurial success across different sectors.

187. (D) Enhancing a person's inherent traits and acquired skills for effective venturing.
Developing entrepreneurial competencies is a comprehensive process focused on improving an individual's ability to create and manage successful ventures. This development involves enhancing a blend of inherent traits, such as risk-taking, and acquired skills, such as strategic planning and problem-solving. It is not about a one-time grant but about building the long-term capacity of the entrepreneur. Through training and experiential learning, individuals can develop the mindset and behavioral patterns necessary to navigate the complexities of the business environment. This capacity building is the core goal of professional entrepreneurship development programs.

NODIA

188. (B) To offer a concise and compelling overview of the entire plan, to grab the reader's interest.
The executive summary is a vital component of a business plan that serves as a high-level overview of the entire project. Its primary purpose is to provide a concise and compelling summary of the business concept, market potential, and financial goals to grab the reader's interest. For external stakeholders like investors and bankers, this section is often the first thing they read to determine if the plan is worth further evaluation. A well-written executive summary effectively communicates the venture's value proposition

is often finding and retaining skilled labor and managerial talent necessary for modernization and improving operational efficiency in a competitive market.

138. (A) A validated idea that has real commercial potential.
A business idea is a creative thought or concept, but it only becomes an opportunity when it is validated and shown to have real commercial potential. A true business opportunity is anchored in a product or service that creates value for customers and is both timely and achievable. The process of turning an idea into an opportunity involves conducting feasibility studies and market research to confirm that there is a viable demand and a path to profitability. This distinction is critical for effective entrepreneurial planning and resource allocation.

139. (A) i and iii only
Women entrepreneurs frequently face significant social and psychological challenges that can hinder their professional success. They often struggle to be taken seriously by stakeholders such as vendors and employees due to deep-seated gender biases. Additionally, balancing the dual roles of a homemaker and a business leader is a major challenge that requires significant time and effort. While cultural norms are slowly changing, these barriers remain more prevalent for women than for men. Recognizing and addressing these unique challenges is essential for creating a more equitable and supportive entrepreneurial ecosystem.

140. (C) Statement I is incorrect, but Statement II is correct.
The Small Industries Development Bank of India has a very specific mandate focused on the growth of the micro, small, and medium enterprise sector. It functions as the principal financial institution for the promotion, financing, and development of MSMEs across the country. SIDBI does not provide personal loans to individual home buyers; its services are tailored to the needs of industrial units, including refinancing for primary lenders and direct credit for modernization. Its role as an apex development bank is crucial for the overall industrial development of the nation.

141. (C) Idea generation and opportunity spotting
The entrepreneurial process begins with the critical stage of idea generation and opportunity spotting. This initial phase involves scanning the environment to identify unmet needs, market gaps, or technological possibilities that can be transformed into a viable business concept. Without a clearly identified opportunity, the subsequent stages of planning and resource mobilization cannot occur. This creative and observational phase is what sets the entire venture in motion and defines the direction of the business. Successful entrepreneurs are those who can effectively distinguish a promising opportunity from a simple idea.

142. (D) Process innovation
Process innovation focuses on improving the efficiency and effectiveness of the internal workflows and production methods within a company. When a manufacturing firm reorganizes its assembly line to reduce wastage and production time, it is a clear example of process innovation. This type of improvement aims to lower operational costs and increase productivity without necessarily changing the final product. By optimizing the "how" of production, companies can enhance their competitive position and achieve higher quality and reliability in their output, which is essential for long-term industrial success.

143. (A) They are dreamers who do, taking hands-on responsibility for creating innovation.
Intrapreneurs are often described as "dreamers who do" because they take direct, hands-on responsibility for driving innovation within an existing organization. While they operate within the formal structure of a company, they possess the creative vision and initiative of an entrepreneur. They champion new projects from conception to implementation, using the firm's resources to create new products or services. By fostering such talent, corporations can stay ahead of technological trends and maintain their market leadership. Intrapreneurship is a key driver of corporate growth and institutional adaptability.

144. (B) The Market analysis
Within a feasibility analysis, market analysis is the component that focuses on the commercial

Downloaded from www.pdf.tube

195. (A) Both A and R are true and R is the correct explanation of A.
A well-crafted business plan is an essential communication tool that articulates the venture's vision, strategy, and financial potential to a variety of stakeholders. For potential investors and bankers, the plan provides the detailed information necessary to evaluate the business's viability and make critical funding decisions. It also serves to align internal teams and partners by providing a clear roadmap for execution. By documenting market analysis and strategic goals, the business plan builds credibility and professional trust, making it indispensable for any entrepreneur seeking to secure external support and achieve long-term venture success.

196. (D) MSMED Act, 2006
In India, the official classification of micro, small, and medium enterprises is governed by the Micro, Small and Medium Enterprises Development Act of 2006. This legislation provides the legal framework for defining these entities based on specific criteria, such as investment in plant and machinery or annual turnover. The MSMED Act is a key policy instrument designed to promote the growth and competitiveness of the MSME sector by providing targeted support, financial incentives, and protective measures. This standardized classification system ensures that smaller units receive the appropriate government assistance and can participate effectively in industrial development programs.

197. (C) Implementing a new performance-based reward system for employees.
Organizational innovation involves the implementation of a new organizational method in a firm's business practices, workplace structure, or external relations. Implementing a new performance-based reward system for employees is a clear example of this, as it changes the internal management and motivation structure of the company. This type of innovation aims to improve overall organizational performance by enhancing employee productivity and alignment with business goals. It focuses on the internal coordination and administrative processes of the firm rather than the physical products or production techniques themselves, contributing to a more efficient and effective corporate environment.

198. (B) i, iii, and iv only
Entrepreneurs can be classified based on their unique attitudes toward innovation and change in the marketplace. Innovative entrepreneurs act as proactive agents of "creative destruction" by introducing radical changes. Fabian entrepreneurs exhibit caution and skepticism, choosing to adopt proven changes only when pressurized by necessity. Drone entrepreneurs are laggards who completely resist any change, even when it is to their own detriment. In contrast, imitative entrepreneurs are followers who quickly adopt successful existing models. Understanding these different behaviors is essential for analyzing industrial dynamics and the varying ways that new technologies and ideas spread across the economy.

199. (D) "Can we do it and is it worth doing?"
The main purpose of a feasibility analysis is to provide a preliminary assessment of a business idea's viability and commercial potential. It seeks to answer the fundamental questions of whether the project is practically achievable and whether it is worth the investment of time and resources. By evaluating technical, market, and financial aspects, the feasibility study uncovers potential obstacles and estimates the likelihood of success. This rigorous evaluation helps entrepreneurs and investors make informed "go" or "no-go" decisions before committing significant capital to a detailed business plan, thereby minimizing the risk of total venture failure.

200. (A) Difficulties in accessing larger markets and distribution channels.
Rural entrepreneurship faces several significant challenges that limit its ability to scale and compete effectively with urban businesses. One of the primary hurdles is the difficulty in accessing larger urban markets and establishing efficient distribution channels for their products. This is often exacerbated by poor local infrastructure and a lack of market information. Without strong linkages to wider consumer bases, rural entrepreneurs struggle to achieve higher sales volumes and grow their enterprises. Addressing these connectivity and marketing challenges is essential for empowering rural communities and

NODIA

promoting more inclusive regional economic development across the country.

201. (C) Takes repeated actions to overcome an obstacle or setback.
Persistence is a core entrepreneurial competency that involves the determination to continue striving toward a goal despite encountering obstacles or failures. An entrepreneur demonstrates persistence by taking repeated and corrective actions to overcome challenges and setbacks rather than giving up easily. This trait is essential for navigating the inherent uncertainties of the business environment and for seeing a project through from conception to completion. Highly persistent individuals view failures as learning opportunities and remain focused on their long-term vision, which is a key factor in the eventual success and resilience of any new venture.

202. (C) Statement I is incorrect, but Statement II is correct.
The process of intrapreneurship occurs entirely within an existing organization and does not involve the employee leaving to start an independent firm. Instead, it involves the employee demonstrating entrepreneurial behavior by conceiving and implementing new ideas or ventures within the corporate framework. This internal innovation process allows established companies to launch new products or services using their own resources and infrastructure. By providing a platform for intrapreneurial activity, corporations can benefit from the creativity and leadership of their employees while managing the risks associated with new ventures. It is a vital strategy for maintaining long-term corporate competitiveness.

203. (D) A Self-Help Group (SHG) bank linkage program.
Microfinance is a specialized financial service focused on providing small-scale credit to individuals or groups who lack access to traditional institutional banking. The Self-Help Group bank linkage program is a classic example, where a group of individuals pools their savings and receives small loans from a bank to support local entrepreneurial activities. This model uses the social collateral of the group to ensure repayment, overcoming the lack of physical assets for collateral. By providing accessible credit, such programs empower the poor to achieve financial independence and improve their standards of living, promoting inclusive social and economic development.

204. (B) P-3, Q-2, R-1, S-4
Innovation in business can take several distinct forms depending on the area of application. Product innovation involves introducing entirely new goods, such as biodegradable versions of existing products. Process innovation focuses on better internal methods, such as implementing new supply chain management software for efficiency. Marketing innovation involves new commercial strategies, such as adopting a franchise model for wider distribution. Organizational innovation deals with structural changes, like reorganizing departments to improve collaboration. Together, these types of innovation allow companies to enhance their efficiency, market reach, and overall competitiveness in a rapidly changing and dynamic business environment.

205. (C) The detection of sickness at an early stage.
The rehabilitation of a sick industrial unit is most successful when it begins with the early detection of the symptoms of financial and operational distress. Identifying warning signs like continuous cash losses and declining production allows for a timely diagnostic study to identify the root causes of the unit's failure. This early recognition is essential for implementing remedial measures before the unit's net worth is completely eroded and it becomes unviable for revival. By catching sickness early, stakeholders have a better chance of restructuring debt and modernizing technology to return the unit to a state of profitability and health.

206. (D) Observing a gap between what is currently available and what consumers want.
Creating and identifying opportunities is a proactive process driven by the observation of the market environment. Entrepreneurs spot opportunities by recognizing a "gap" between current product offerings and the actual needs or desires of consumers. This identification of unmet demand provides a clear path for introducing innovative products or services that create value. Unlike simply maintaining

Click Here to Buy book on Amazon

the status quo, this approach requires a keen sense of market dynamics and a willingness to solve existing problems. By addressing these gaps, entrepreneurs can establish relevant and competitive businesses that respond to the evolving preferences of their target audience.

207. (B) ii, iii, and v only
Industrial sickness in small industries is often caused by several negative internal and external factors working together. Significant reasons for sickness include a lack of demand for the product, the use of outdated technology that reduces competitiveness, and the implementation of a poor marketing strategy. These factors directly undermine the financial health and operational efficiency of the unit, leading to persistent losses. While efficient management and abundant raw materials promote industrial health, their absence can lead to severe distress. Understanding these valid reasons is essential for diagnosing the causes of failure and for implementing effective rehabilitation measures for revival.

208. (C) A is true but R is false.
A business plan is a vital planning tool that helps entrepreneurs identify and mitigate potential risks, making it critical for securing external funding from investors and bankers. However, it is not a legal document that can guarantee a specific annual return, as business outcomes always involve an inherent degree of market uncertainty. Instead, the plan articulates the business's strategy and financial projections to demonstrate its potential for profitability. While it cannot eliminate risk entirely, a well-prepared business plan builds credibility by showing that the entrepreneur has a professional and realistic strategy for managing the venture's challenges.

209. (B) Apex development bank for the MSME sector.
The Small Industries Development Bank of India functions as the national apex body for the promotion, financing, and development of the micro, small, and medium enterprise sector. Its role is to provide essential financial support through direct credit and by refinancing other primary lending institutions that serve small businesses. SIDBI also coordinates the functions of various organizations dedicated to MSME growth and provides policy guidance to the government. Its focus remains entirely on fostering a vibrant and inclusive industrial sector by ensuring a steady flow of credit and technical support to smaller entrepreneurial units across the country.

210. (A) Women and Rural entrepreneurship
When a woman starts a small business like a tailoring unit in her village, she is demonstrating a combination of women and rural entrepreneurship. These ventures are essential for providing livelihoods in non-urban areas and for empowering women through financial independence. This form of entrepreneurship typically utilizes local skills and resources to satisfy regional needs, contributing to balanced regional development and poverty alleviation. By creating local employment, these small-scale enterprises help curb migration to cities and improve the overall standard of living for rural families. Promoting such ventures is vital for inclusive social and economic progress.

211. (C) Financial analysis
Financial analysis is a critical component of the feasibility study that focuses on the quantitative requirements and potential of a new project. This process involves estimating the total funds required for both fixed assets, such as machinery and buildings, and working capital for daily operations. By conducting this analysis, entrepreneurs can determine the project's capital structure and assess its potential for generating a profit. The insights gained from financial analysis are essential for determining the venture's overall viability and for attracting potential investors by providing a clear picture of the project's financial health and expected returns.

212. (D) Procrastination
Core entrepreneurial competencies represent the essential traits and skills that enable individuals to successfully create and manage a business venture. These include proactive initiative, effective problem-solving, and a willingness to take calculated risks. These attributes allow entrepreneurs to navigate challenges and drive innovation in a competitive market. In contrast, procrastination—the habit of delaying or postponing tasks—is a negative trait that hinders decision-making and project execution. Successful entrepreneurship requires timely action and persistence, making procrastination

Downloaded from www.pdf.tube

overcome obstacles. Together, these competencies allow an entrepreneur to effectively navigate the complexities of venture creation and management, ensuring that the business remains resilient and continues to grow in a competitive market.

225. (D) A is false but R is true.
While agriculture is the primary activity in rural areas, rural entrepreneurship is not limited to farming. It encompasses a wide range of economic activities, including services, small-scale manufacturing, traditional handicrafts, and forest-based ventures. These diverse enterprises utilize local resources and labor to satisfy regional needs and provide non-farm employment opportunities. By diversifying the rural economy, these ventures help reduce dependency on agriculture and improve the overall standard of living for regional communities. Promoting a broad range of rural entrepreneurial activities is essential for achieving balanced regional development and inclusive national economic growth.

226. (A) Gradual revival and rehabilitation
A "nursing program" for a sick industrial unit refers to a specialized plan designed for its gradual revival and rehabilitation. This program involves a combination of financial and operational measures intended to restore the unit's viability and return it to profitability. Key actions may include debt restructuring, infusion of fresh capital for modernization, and providing technical or managerial assistance to improve efficiency. The goal of a nursing program is to transform a failing business into a healthy one, thereby preserving jobs, utilizing existing industrial assets, and maintaining production capacity within the economy.

227. (C) Marketing Innovation
Marketing innovation refers to the implementation of a new marketing method involving significant changes in product design, packaging, placement, or promotion. Creating a new distribution channel, such as shifting from traditional retail stores to a direct-to-consumer online model, is a clear example of marketing innovation. This type of change aims to improve the product's market position, increase brand accessibility, and better meet the evolving needs of target customers. It focuses on the commercial strategy and the way products reach the market, which is essential for maintaining brand relevance and competitiveness in a dynamic and digital-driven business environment.

228. (D) Uncles and Aunts
Institutional finance for small industries refers to credit and financial services provided by organized, regulated, and formal financial entities. These include commercial banks, cooperative banks, and specialized development institutions like SIDBI, which operate under established government policies and legal frameworks. These organizations provide structured loans and professional support for industrial growth. In contrast, funds obtained from family members like uncles and aunts are considered informal finance. Such personal sources are outside the official regulatory system and lack the standardized terms and professional protections provided by formal institutional lenders to help small-scale enterprises grow.

229. (A) i, iii, and v only
The preliminary screening of a business idea is an initial evaluation used to filter out concepts with the lowest potential before significant resources are committed. This stage focuses on evaluating the entrepreneur's personal interests and skills, the overall market potential of the idea, and a preliminary check on its technical and financial feasibility. Requiring detailed 10-year financial projections or legal registration documents is premature at this early stage. Instead, the focus is on identifying if the idea is achievable and marketable. This structured approach helps entrepreneurs efficiently allocate their time to the most promising business concepts.

230. (B) Growth and potential harvesting of the venture
The entrepreneurship development process is a lifelong journey that extends beyond the initial launch and management of a business. The final stages typically involve strategic growth and the potential harvesting of the venture's value. This can include scaling operations, entering new markets, or eventually exiting the business through a sale or public offering to realize the capital gains. This stage represents the culmination of the entrepreneur's efforts in

NODIA

ahead of technological trends and maintain their market leadership. This role allows talented individuals to exercise their creativity and leadership within the security of an established corporate environment.

219. (D) High market demand
Industrial sickness in small industries is typically the result of several negative internal and external factors that undermine financial stability. Common causes include the diversion of funds for non-business purposes, choosing an inappropriate location for the plant, and general managerial incompetence. These issues lead to persistent losses and a decline in health. In contrast, high market demand is a positive indicator of business potential and market success. Strong demand for a product provides the revenue necessary for growth and sustainability, making it the opposite of a reason for industrial sickness in any competitive business unit.

220. (A) i, ii, iii, and v only
Institutional finance for small industries serves several critical developmental functions. It provides term loans for acquiring fixed assets like machinery and buildings, and working capital to manage daily operational expenses. Additionally, institutional finance includes venture capital for innovative startups and refinancing facilities for primary lending institutions through apex bodies like SIDBI. While these services support the business, offering personal loans for an entrepreneur's household expenses is not a standard function of institutional industrial finance. The primary focus remains on fostering industrial growth, modernization, and the overall sustainability and development of the small-scale sector.

221. (C) Joseph Schumpeter
Joseph Schumpeter's theory of entrepreneurship focuses on the individual's role in driving economic progress through the introduction of innovations. He famously defined the entrepreneur as someone who performs "new combinations" of production factors to create new products, processes, or markets. This process, which he called creative destruction, dismantles outdated industrial structures to make way for more advanced and efficient ones. According to Schumpeter, the entrepreneur is the central figure who orchestrates this transformation, making innovation—rather than simple management or capital provision—the primary driver of dynamic economic growth and structural change in a modern capitalist society.

222. (C) Statement I is incorrect, but Statement II is correct.
The government plays a highly active and facilitative role in the promotion of Small Scale Industries in India. This involvement includes the formulation of supportive policies, the provision of targeted financial assistance through subsidies and incentives, and the development of essential industrial infrastructure like estates and sheds. These initiatives are designed to create a conducive environment for entrepreneurship and to protect smaller units from unfair competition. By lowering the barriers to entry and providing ongoing support, the government helps foster a vibrant, inclusive, and decentralized industrial sector that contributes significantly to national economic growth and development.

223. (A) To provide a clear path for the business and attract investors.
The main objective of creating a business plan is to provide a clear strategic path for the new venture and to act as a vital communication tool for external stakeholders. By detailing the business concept, market analysis, and financial projections, the plan serves to guide the entrepreneur through the startup phase while demonstrating the project's viability to potential investors and bankers. A professional business plan builds credibility and professional trust, making it indispensable for securing the capital needed for growth. It is much more than a formality; it is an essential roadmap for long-term venture success.

224. (A) P-1, Q-4, R-2, S-3
Entrepreneurial competencies are demonstrated through specific behavioral indicators that contribute to business success. Initiative is shown by taking action before being asked or forced by events. Persuasion involves the ability to convince others to support a new business idea. Information seeking is demonstrated by personally investigating market questions and consulting with experts. Problem-solving is shown by finding alternative strategies to

Click Here to Buy book on Amazon

an obstacle to venture success rather than a core competency for an effective and resilient professional leader.

213. (C) Statement I is incorrect, but Statement II is correct.
The entrepreneurial process is not a random series of events but a structured sequence of stages that move a business idea toward commercial reality. This process typically begins with idea generation and opportunity evaluation, followed by meticulous planning and the development of a business plan. The next critical steps are resource mobilization and the formal launch of the enterprise. Once operational, the process continues through the ongoing management and strategic growth of the venture. Understanding this logical sequence is essential for effective entrepreneurial education and for minimizing the inherent risks of starting and sustaining a new business.

214. (B) The financial viability of the industrial unit is severely threatened.
Sickness in a small industrial unit refers to a state of severe financial distress where the unit's continued existence and viability are significantly threatened. This condition is formally characterized by persistent cash losses and a continuous erosion of the business's net worth, often leading to a point where it cannot meet its financial obligations. Identifying sickness early through these warning signs is essential for performing a diagnostic study and for implementing rehabilitation measures to restore the unit to financial health. Addressing these challenges is vital for preserving industrial production, utilizing existing assets, and protecting the livelihoods of employees.

215. (A) 3, 2, 4, 1
The screening of business ideas follows a logical chronological flow to ensure that only the most viable concepts are developed. The process begins with the creative phase of idea generation. This is followed by a preliminary evaluation where ideas are measured against broad key criteria to filter out impractical concepts. The next step is the selection of the most promising ideas for more in-depth analysis. The final and most rigorous stage is the detailed feasibility study, which provides a comprehensive assessment of the technical, market, and financial aspects. This structured approach helps entrepreneurs allocate their resources efficiently.

216. (A) A comprehensive and dynamic roadmap that guides the entrepreneur and communicates the venture's potential.
A business plan is a comprehensive and dynamic document that serves as a vital roadmap for guiding an entrepreneur through the startup and growth phases. It articulates the business's vision, strategy, and financial projections, effectively communicating the venture's potential to external stakeholders like investors and bankers. Rather than being a static document, the plan should evolve as the venture progresses and adapts to new market information. A well-crafted business plan is essential for professional strategic planning, capital mobilization, and ensuring that the business remains focused on its long-term objectives in a competitive and changing environment.

217. (C) 'Pull' factors involve ambition, while 'push' factors involve negative circumstances.
The motivation for women to enter entrepreneurship is often categorized into 'pull' and 'push' factors. Pull factors are positive internal drivers, such as a strong desire for personal achievement, independence, and self-actualization. In contrast, push factors are reactive responses to negative external circumstances, such as job dissatisfaction, glass ceilings, or a lack of other employment opportunities. Recognizing these different motivations is essential for designing targeted support programs that either empower the ambitious 'pulled' entrepreneurs or provide the necessary skills and resources to those who are 'pushed' into self-employment by professional necessity.

218. (A) Intrapreneur
When an employee within a large corporation suggests and develops an innovation, such as a more efficient fuel injection system, they are acting as an intrapreneur. Unlike an independent entrepreneur, an intrapreneur operates within the existing structure of a company and utilizes the firm's resources, infrastructure, and financial backing to bring their ideas to life. By taking hands-on responsibility for internal projects, intrapreneurs help their organizations stay

NODIA

creating and growing a sustainable and valuable entity. Success in this final phase requires a focus on long-term strategy, value maximization, and navigating the complexities of large-scale market expansion.

231. (D) Drone entrepreneur
A drone entrepreneur is characterized by a complete resistance to any form of change and a rigid adherence to traditional methods of operation. These individuals are unwilling to take risks and are content with their current level of profitability, even if adopting new technologies could significantly improve their efficiency. Their refusal to adapt to shifting market conditions often leads to a decline in competitiveness and eventual business failure. This laggard behavior distinguishes them from more dynamic entrepreneurs who embrace change as a source of growth. Drone entrepreneurs are often reactive, changing only when the business is already in severe decline.

232. (B) Both Statement I and Statement II are incorrect.
Technical and financial feasibility analyses have specific and distinct objectives within the overall business planning process. Technical feasibility specifically assesses whether the proposed product can be realistically manufactured using the required technology, raw materials, and infrastructure. In contrast, financial feasibility evaluates the project's potential for generating a profit and its overall financial sustainability. Reversing these roles leads to an inaccurate and misleading assessment of the project's viability. Understanding the correct purpose of each analysis is essential for identifying potential risks and for making informed decisions about whether to proceed with a new business venture.

233. (C) Provide small-scale financial services to the poor.
The primary role of microfinance is to provide accessible financial services, such as small loans and savings, to low-income individuals and groups who are typically excluded from traditional banking. This focus on the poor and the underbanked aims to achieve financial inclusion and poverty alleviation by empowering people to engage in self-employment and build economic assets. By providing small-scale credit, often without traditional collateral, microfinance institutions help marginalized communities improve their standards of living and achieve financial independence. It is a vital strategy for inclusive social and economic development, particularly in rural and semi-urban areas across the nation.

234. (A) The implementation of a new or significantly improved production or delivery method.
Process innovation refers to the implementation of a new or significantly improved production or delivery method within a company. This type of innovation focuses on improving the efficiency and effectiveness of internal workflows, which can lead to reduced operational costs, increased productivity, and higher product quality. Unlike product innovation, which changes the good itself, process innovation changes the "how" of the business operations. By optimizing manufacturing techniques and service delivery, companies can enhance their competitive position and achieve more sustainable and reliable output, which is essential for long-term growth and success in industrial markets.

235. (A) 4, 3, 2, 1
The classification of entrepreneurs by Clarence Danhof is based on their unique attitudes toward innovation and change. Innovative entrepreneurs are the most proactive leaders who introduce radical new concepts. Imitative entrepreneurs are followers who quickly adopt successful proven innovations from others. Fabian entrepreneurs are characterized by caution and skepticism, changing only when necessary for survival. Finally, drone entrepreneurs are the most reactive laggards who completely resist any form of change, even when it is to their own detriment. This sequence, from proactive innovation to reactive resistance, helps in understanding the varying ways that new technologies diffuse through the economy.

236. (B) Working capital loans
Commercial banks play a crucial role in supporting small-scale industries primarily by providing working capital loans. This essential form of credit is necessary for managing the daily operational costs of a business, such as purchasing raw materials, paying wages, and maintaining inventory. By ensuring the liquidity

Downloaded from www.pdf.tube

to low-income individuals who lack traditional collateral. This focus on the poor and the unbanked aims to achieve financial inclusion by empowering people to engage in self-employment and small-scale entrepreneurship. By providing accessible credit, often through group-lending models, microfinance institutions help marginalized communities improve their standards of living and achieve financial independence. It is a vital strategy for inclusive social and economic development, particularly in rural and semi-urban areas, where access to formal institutional banking remains limited for many residents.

249. (B) ii, iii, and v only
An intrapreneur is an employee who demonstrates entrepreneurial initiative and drives innovation within an existing corporation. Their primary role involves acting with the spirit of an entrepreneur, using the firm's resources and infrastructure to develop new products or ventures. While they take hands-on responsibility for their projects, they are not the legal owners and do not bear personal financial liability for the project's failure. Instead, the corporation provides the capital and assumes the associated financial risks. By fostering intrapreneurial talent, large organizations can maintain their market leadership and stay ahead of technological trends, making it a key strategy for corporate growth.

250. (A) Imitative Entrepreneur
An imitative entrepreneur is one who replicates successful business models that have already been established and proven by others. They typically wait until an innovation has been shown to be profitable and stable before adopting it themselves, often making minor adaptations for their own local market. This approach allows the entrepreneur to benefit from existing brand recognition and reduced risk while still contributing to economic activity. By diffusing successful products and services, imitative entrepreneurs play a vital role in increasing market variety and competitiveness. Their behavior distinguishes them from more radical innovators who are the first to introduce groundbreaking new concepts to the marketplace.

251. (B) The creation of incremental wealth and value.
Entrepreneurship is defined as a multifaceted and dynamic process that centers on the generation of incremental wealth and value. This outcome is achieved by individuals who are willing to commit their time, career, and equity while assuming significant risks. The process aims to provide specific value through the delivery of products or services within the competitive marketplace.

252. (A) The importance of social networks and cultural context.
Sociological theories of entrepreneurship focus on the external environment and social structures that influence entrepreneurial activity. These theories specifically highlight how social networks and the surrounding cultural context play a vital role in shaping the entrepreneurial phenomenon. This perspective differs from economic or psychological views by emphasizing the impact of society and relationships on the creation of new ventures.

253. (C) a continuous process of managing risks and exploiting opportunities.
Rather than being a single event, entrepreneurship is a continuous and multifaceted process. It involves the ongoing management of risks and the strategic orchestration of resources to exploit emerging market opportunities. This comprehensive view emphasizes that the essence of being an entrepreneur lies in the persistent effort to create new value through innovation and the effective management of complex business challenges.

254. (D) The use of technology.
Different types of entrepreneurship are classified based on specific criteria to better understand the nature of various ventures. When the classification distinguishes between technical and non-technical categories, it specifically refers to the use of technology within the business operations. This method of categorization helps in identifying the technological intensity and the specific skill sets required to manage the enterprise effectively.

NODIA

of declining health include persistent cash losses, a fall in production levels, and irregular payments to creditors and banks. Recognizing these symptoms early is essential for performing a diagnostic study and implementing effective rehabilitation measures to revive the unit. By catching these signs of distress before the net worth is completely eroded, stakeholders have a better chance of restoring the industrial unit to financial health.

243. (C) Guaranteeing profits for all new SSI units.
The government plays a facilitative role in promoting Small Scale Industries through various supportive measures aimed at providing essential infrastructure and financial incentives. These include the establishment of industrial estates and District Industries Centres, providing subsidies on essential inputs like power, and offering marketing assistance. These initiatives are designed to create a conducive environment for entrepreneurship and to protect smaller units from unfair competition. However, the government does not guarantee profits for any business, as market outcomes are always subject to inherent uncertainty and competitive forces. The focus remains on providing the support needed for SSIs to become viable.

244. (B) P-3, Q-4, R-1, S-2
The entrepreneurial process follows a logical sequence to move from an idea to a sustainable enterprise. Opportunity spotting involves the identifying of market gaps and unmet needs. The business plan is the creation of a detailed document outlining the strategy for execution. Resource mobilization involves the arranging of necessary finance, talent, and assets before operations begin. The launch stage marks the formal commencement of business operations. Together, these stages provide the professional framework for venture creation and management, ensuring that the entrepreneur is well-prepared to navigate the complexities of starting and growing a new business in a competitive market.

245. (C) Observing a problem and an unmet need.
Many successful business opportunities are identified by observing existing problems and unmet consumer needs in daily life. When an entrepreneur sees a long queue and decides to create a digital solution to save time, they have spotted a clear gap in the current market. This proactive approach to problem-solving is a fundamental method for identifying viable business concepts that create real value for customers. Unlike simply reacting to technological shifts, this method focuses on identifying specific frustrations and developing innovative solutions to address them. Successful entrepreneurs are those who can effectively translate these observations of unmet needs into marketable and relevant ventures.

246. (B) A nationwide economic recession.
Industrial sickness can be triggered by external factors that are entirely beyond the control of the business's management. A nationwide economic recession is a classic example of such an external cause, as it leads to a decline in overall market demand and severe financial instability for many firms. While internal issues like poor planning or mismanagement are within the entrepreneur's control, external shocks require the business to be highly resilient and adaptable. Understanding these external risks is crucial for long-term strategic planning and for the overall survival and success of a small industrial enterprise in a dynamic and unpredictable economic environment.

247. (D) "Can we make this product with the available technology and resources?"
The primary purpose of a technical feasibility analysis is to determine if a proposed product or service can be practically manufactured using current technology and resources. This study evaluates the suitability of the required machinery, the availability of raw materials, and the efficiency of the production process and infrastructure. By answering these fundamental questions, the analysis ensuring that the project is operationally viable and that the entrepreneur has the necessary tools to meet production goals. It is a critical step for identifying and mitigating potential operational risks before significant financial resources are committed to the full business implementation.

248. (A) Small loans (microcredit) to individuals or groups who lack access to traditional banking.
Microfinance is a specialized financial service focused on providing small-scale loans, often called microcredit, and other financial services

Click Here to Buy book on Amazon

of SSIs, commercial banks help maintain their financial stability and smooth functioning in a competitive environment. While banks also provide long-term loans for assets, their role as a primary source of working capital is vital for the sustainability of small businesses that may lack other sources of institutional short-term credit.

237. (D) A is false but R is true.
A well-crafted business plan is a vital planning tool that helps entrepreneurs identify and mitigate potential risks, making it critical for venture success. However, no plan can reduce business risks to zero because the environment is characterized by inherent uncertainty and unpredictable changes. Instead, the business plan provides a professional framework for managing these challenges and adapting to new information. By detailing market strategies and financial projections, it builds credibility and demonstrates that the entrepreneur has a realistic and strategic approach. While a plan cannot eliminate risk entirely, it significantly improves the venture's ability to survive.

238. (D) Difficulty in accessing finance due to lack of collateral.
Women entrepreneurs frequently face significant hurdles that can impede their professional progress and business growth. One of the most critical challenges is the significant difficulty in accessing formal institutional finance due to a lack of traditional physical assets for collateral. This barrier is often exacerbated by gender-based biases in lending practices and limited access to professional financial networks. While government schemes aim to address these gaps, the lack of equal access to credit remains a persistent obstacle. Overcoming this challenge through targeted financial support and collateral-free credit is essential for empowering women and fostering inclusive economic development.

239. (A) i, ii, and iv only
The development of entrepreneurial competencies is a continuous, lifelong learning process that can be facilitated through structured education, training, and professional mentorship. This process focuses on developing a blend of essential skills and a positive psychological mindset toward identifying and pursuing opportunities. While these competencies can be learned and refined, they are not permanent; like any other skill, they must be continuously applied and updated to remain effective in a changing market. Successful entrepreneurship development programs focus on building this long-term capacity and resilience in individuals, ensuring they are well-equipped to navigate the complexities of managing a business.

240. (B) Individuals who exhibit entrepreneurial behavior within a large organization.
The term "intrapreneur" was coined to describe employees who demonstrate entrepreneurial behavior and drive innovation within the context of an established organization. These individuals identify new opportunities and take hands-on responsibility for bringing them to life using the firm's resources, infrastructure, and financial backing. This role allows large corporations to foster internal innovation and launch new ventures while providing talented employees with a platform for creativity and leadership. Intrapreneurship is a key strategy for corporate growth and maintaining market relevance in a dynamic environment, distinguishing it from independent entrepreneurship where the individual starts their own separate company.

241. (B) Determine the viability of a business idea before committing major resources.
A feasibility analysis is a critical preliminary study conducted to determine if a proposed business idea is viable and worth pursuing. This evaluation focuses on identifying potential technical, market, and financial obstacles and estimating the overall likelihood of success. By conducting this study before committing significant resources, entrepreneurs and investors can make informed "go" or "no-go" decisions, thereby minimizing the risk of total venture failure. The insights gained from a feasibility study are essential for the subsequent development of a detailed and realistic business plan, ensuring that the venture is based on a validated and achievable concept.

242. (C) Statement I is incorrect, but Statement II is correct.
Industrial sickness in small industries is rarely a sudden or unpredictable event. It is typically a gradual process that is preceded by several early warning signs and symptoms of financial and operational distress. Significant indicators

NODIA

255. (C) The process begins with identifying an opportunity, which then guides the accumulation of necessary resources.
The entrepreneurial process follows a logical sequence of interconnected stages that guide the development of a venture. It typically begins with the critical step of identifying a viable market opportunity. This initial phase then dictates and informs the subsequent stage, which involves the accumulation of necessary resources, such as capital and talent, required to produce goods and exploit the opportunity.

256. (B) As a complex cluster of knowledge, skills, and attributes for effective action.
An entrepreneurial competency is described as a complex and integrated cluster of related knowledge, specific skills, and personal attributes. These elements work together to enable an individual to act effectively and successfully in various business situations. It goes beyond simple management skills, encompassing the holistic ability to navigate the unique challenges and uncertainties inherent in the process of starting ventures.

257. (D) Innovation.
Innovation is identified as a critical entrepreneurial competency that involves the creative ability to generate novel ideas. Beyond just ideation, it includes the essential capacity to translate these new concepts into products or services that are commercially viable in the market. This process is fundamental for an entrepreneur to differentiate their venture and create tangible value for their target customers.

258. (A) a multi-faceted approach including training, experience, and mentorship.
Building entrepreneurial competencies is an ongoing and multifaceted process that requires a combination of different learning methods. It is best achieved through a structured approach that includes formal training programs, hands-on experiential learning, and guidance from experienced mentors. Additionally, a commitment to continuous self-assessment and personal growth ensures that the entrepreneur stays relevant and effective in a changing business environment.

NODIA

259. (C) They are complementary competencies that together enable the seizing of opportunities.
Risk-taking and proactive orientation are complementary competencies that are essential for successful entrepreneurship. A proactive stance allows individuals to seek out possibilities, while a high propensity for calculated risk-taking enables them to act on those possibilities. Together, these attributes allow an entrepreneur to seize unique market opportunities that others may overlook, ultimately driving the success and sustainability of the business.

260. (A) they enable an entrepreneur to endure setbacks and stay focused on long-term objectives.
Personal attributes like perseverance and resilience are considered the bedrock of an entrepreneur's journey because they provide the strength to withstand inevitable setbacks. These traits ensure that the individual can maintain a steady focus on long-term objectives despite the complexities and obstacles found in a start-up environment. Without this mental toughness, the entrepreneur's vision might fail to materialize into a successful enterprise.

261. (D) An intrapreneur operates within an existing organization, while an entrepreneur starts a new one.
The main difference between these two roles lies in the environment where the entrepreneurial activity occurs. An intrapreneur is an employee who innovates and champions new projects within the structure of an existing large organization. Conversely, an entrepreneur operates independently to start an entirely new business venture. This distinction highlights the different organizational contexts and risk profiles associated with each of these roles.

262. (B) The securing of sponsorship from senior management.
In the intrapreneurial process, the initial stage involves the conception of an innovative idea by an individual or a team. Once the concept is developed, the next vital step is securing formal sponsorship from senior management. This involves presenting a compelling business case and a clear vision to obtain the necessary support and resources required to move the project forward internally.

that the success of a business idea is linked to the individual pursuing it. A person's unique skills and experience play a major role in their ability to execute a specific concept effectively. Therefore, an idea that matches the founder's strengths has a higher probability of becoming a successful and sustainable venture.

280. (D) systematic filtration process to identify promising concepts.
Screening business ideas is characterized as a systematic and well-defined filtration process rather than an arbitrary decision. It involves using specific criteria, such as market potential and technical feasibility, to evaluate different concepts. This structured approach acts as a gatekeeping function, ensuring that the entrepreneur's energy and resources are channeled toward the ideas that have a realistic probability of succeeding in reality.

281. (A) To assess the viability of a business idea before major resource commitment.
A feasibility analysis serves as a vital investigative tool used to determine the viability of a business idea before any major investments are made. It helps entrepreneurs understand whether a concept is realistic and sustainable from technical, market, and financial perspectives. By conducting this preliminary study, the venture can avoid costly mistakes and build a data-driven foundation for its future business operations.

282. (B) Market analysis.
Market analysis is the component of feasibility study that investigates the external environment of a business. It focuses on understanding the target audience, the nature of the industry, and the competitive landscape. By estimating potential sales and analyzing competitors, this study helps the entrepreneur determine if there is a real demand for their product and how they can position themselves effectively.

283. (B) projecting the economic viability and funding needs of the venture.
The financial analysis part of a feasibility study is primarily focused on assessing the economic prospects of a new venture. It involves estimating the total start-up capital required, identifying potential sources of funding, and projecting future cash flows. By calculating break-even points and potential profitability, this analysis provides a clear picture of whether the business can be financially sustainable over the long term.

284. (A) The findings from the feasibility analysis provide the foundation for the business plan.
Feasibility analysis and the business plan are closely linked, with the findings of the former providing the factual basis for the latter. The data-driven insights gained from technical, market, and financial studies form the backbone of the comprehensive business document. This relationship ensures that the strategies outlined in the business plan are grounded in reality and based on a realistic assessment of viability.

285. (C) technical analysis.
Conducting an evaluation of equipment requirements and the raw material supply chain is a central part of technical analysis. This study assesses the operational viability of a business by looking at the practical resources needed for production. It ensures that the venture has the necessary physical infrastructure and supply connections to manufacture its goods and deliver them to customers as planned.

286. (D) They are major engines for employment generation and contribute significantly to exports.
Micro and Small Scale Industries in India are vital for the national economy due to their significant role in employment generation. They provide jobs for a vast number of people, particularly in rural and semi-urban areas. Additionally, these industries contribute heavily to the country's total industrial output and are major earners of foreign exchange through their diverse range of export-oriented products.

287. (C) Providing subsidies and credit guarantee schemes.
The Indian government provides financial support to small-scale industries through several proactive mechanisms. These include offering subsidies to reduce costs and providing tax incentives to improve profitability. Furthermore, the establishment of credit guarantee schemes helps these enterprises access loans more easily by reducing the risk for lenders, thereby ensuring they have the necessary capital for their ongoing business operations and growth.

Downloaded from www.pdf.tube

271. (C) Invention is about ideas, while innovation is their commercial application.
While invention refers to the creation of a new idea or discovery, innovation involves the practical and commercial application of that idea. Innovation is the process of exploiting new concepts to create tangible value in the marketplace. Therefore, the primary distinction is that innovation requires the transformation of a concept into a usable product or process that meets a specific market demand.

272. (B) Process innovation.
When a company focuses on improving its internal operations, such as revamping its supply chain management system to enhance efficiency and reduce delivery times, it is practicing process innovation. This type of innovation involves implementing new or significantly improved methods for production or delivery. It aims to optimize the way a business functions rather than changing the final product or service offered.

273. (D) Through both proactive creation and reactive identification of changes.
Entrepreneurial opportunities for innovation can arise through two primary pathways. Entrepreneurs may proactively create opportunities by envisioning new possibilities and market gaps that do not yet exist. Alternatively, they can identify opportunities by reacting to external changes in the environment, such as new government regulations, shifts in consumer preferences, or technological advancements. Both approaches are vital for driving continuous business growth.

274. (A) Organizational innovation.
Implementing a new structure for employee teams and improving inter-departmental communication is a classic example of organizational innovation. This category of innovation focuses on changing the internal methods and practices of a business to enhance performance and collaboration. By reorganizing the workplace or external relations, a firm can create a more efficient and responsive environment that supports its overall strategic goals and innovative capacity.

275. (C) view change as an opportunity rather than a threat.
The entrepreneurial mindset is vital for successful innovation because it allows individuals to perceive environmental changes in a positive light. Instead of viewing shifts in technology or market demand as threats, entrepreneurs see them as opportunities that can be seized to create value. This perspective enables them to turn novel concepts into tangible market offerings, driving the success of their business ventures.

276. (A) To filter out unviable ideas and conserve resources.
The primary goal of screening business ideas is to systematically evaluate multiple concepts to identify those with the highest potential for success. By filtering out unviable ideas at an early stage, entrepreneurs can avoid wasting valuable resources like time, capital, and effort. This preliminary step ensures that the focus remains on the most promising opportunities, increasing the overall efficiency of the journey.

277. (D) Technical feasibility.
Technical feasibility is a critical screening criterion used to determine if a proposed product or service can be realistically produced. It involves assessing whether the necessary technology, equipment, and resources are currently available to the entrepreneur. This evaluation ensures that the business concept is not just an abstract idea but a practical project that can be manufactured or delivered given existing constraints.

NODIA

278. (B) is strong across multiple criteria like market, technical, and financial feasibility.
The most promising business idea is one that demonstrates strength across a range of different screening criteria. This includes having significant market potential, being technically feasible with available resources, and showing clear financial viability for future profitability. Additionally, the idea should align well with the entrepreneur's personal skills and goals, as a balanced and well-rounded concept is more likely to achieve long-term success.

279. (C) The viability of an idea is partially dependent on the person pursuing it.
The criterion regarding alignment with the entrepreneur's personal background suggests

263. (C) an environment that encourages and rewards innovation.
For intrapreneurship to flourish within a corporate setting, the organization must actively cultivate a supportive environment. This requires a culture that encourages and rewards innovation while demonstrating a willingness to tolerate failure. By providing clear pathways for employees to pursue promising ideas and granting them autonomy, the parent firm can effectively foster a start-up mentality within its established business structure.

264. (D) The personal risk for the intrapreneur is largely mitigated by the corporate structure.
Intrapreneurs face a different level of personal risk compared to independent entrepreneurs because they operate within the financial and legal framework of an existing company. The corporate structure largely mitigates the personal financial and career risks that a traditional entrepreneur must assume. While they still face professional challenges, the safety net provided by the parent organization reduces the individual's exposure to significant loss.

265. (A) integrating the developed project into the organization or spinning it off.
The conclusion of the intrapreneurial journey involves determining the future of the developed project within the larger corporate entity. The final stage centers on the successful integration of the new product, service, or process back into the organization's main operations. Alternatively, the venture may be established as a separate spin-off business unit if it is strategically distinct from the parent company.

266. (B) The empowerment and improved social standing of women.
Beyond contributing to economic output, women entrepreneurship serves as a significant catalyst for social change. It acts as a powerful tool for the empowerment of women by providing them with greater financial independence and a stronger voice in society. This improved social standing helps to challenge traditional norms and fosters a more inclusive environment for female leadership and professional development across various sectors.

267. (B) Inadequate infrastructure and limited market linkages.
Entrepreneurs operating in rural settings face unique obstacles that can hinder the growth and sustainability of their ventures. Key challenges include inadequate infrastructure, which makes logistics difficult, and a lack of access to modern technology. Additionally, these entrepreneurs often struggle with limited market linkages and difficulties in obtaining formal credit, all of which are critical for scaling an industrial or business activity.

268. (A) are intersecting domains, with many rural entrepreneurs being women.
Women entrepreneurship and rural entrepreneurship are not separate entities but are frequently intersecting domains. A substantial portion of entrepreneurial activity in rural areas is driven by women, meaning their success is vital for regional development. Recognizing this intersection is crucial for designing effective support systems that address the combined challenges of gender-based barriers and the limitations of the rural business environment.

269. (C) To address regional imbalances by creating local employment and development.
Rural entrepreneurship has the immense potential to transform regional economies by creating local employment opportunities and utilizing indigenous resources. By establishing industrial and business activities in less developed areas, it helps to curb migration to urban centers and promotes balanced regional growth. This development is essential for fostering sustainable social and economic progress across the diverse landscape of the entire country.

270. (D) Effective policies must be customized to address the unique and overlapping hurdles they face.
Effective policy interventions for women and rural entrepreneurs must be carefully customized to address the specific hurdles these groups encounter. Since these domains often overlap, support systems should be tailored to handle the unique challenges of each sector while recognizing their interconnected nature. A nuanced approach ensures that resources are allocated efficiently to unlock the full economic and social potential of these entrepreneurs.

Click Here to Buy book on Amazon

288. (B) Provision of infrastructure.
The development of industrial estates and parks is a key part of the government's role in providing essential infrastructure for small businesses. By creating dedicated spaces with necessary utilities and facilities, the government helps these industries operate more efficiently. This infrastructure support reduces the initial set-up challenges for entrepreneurs and fosters a more organized and productive environment for industrial activity to thrive.

289. (D) The government considers the SSI sector to be strategically important for national development.
The proactive role and wide range of support policies provided by the government indicate that the SSI sector is viewed as strategically important. These industries are seen as essential for achieving balanced industrial development and sustainable economic growth across the country. Consequently, the government invests in various promotional mechanisms to ensure that this sector remains a resilient and vibrant part of the national economy.

290. (A) By mobilizing local capital and creating employment in semi-urban and rural areas.
Small-scale industries promote regional development by decentralizing industrial activity and creating jobs outside of major cities. By mobilizing local capital and tapping into regional entrepreneurial talent, these businesses bring economic opportunities to semi-urban and rural areas. This process helps to reduce the economic gap between different regions and supports the overall social development of the entire nation through localized growth.

291. (C) As a condition of persistent losses and inability to meet financial obligations.
Industrial sickness is defined as a condition where a business unit suffers from continuous financial losses over a long period. This situation leads to a significant decrease in the firm's net worth and results in a chronic inability to pay back debts or meet other financial commitments. It represents a deep-seated failure within the unit that threatens its long-term survival and stability.

292. (A) Deficiencies in management and poor financial control.
Internal factors leading to industrial sickness are those that fall within the control of the company's management team. These often include a lack of business acumen, poor financial control systems, and the use of outdated technology. Additionally, dysfunctional relationships between management and labor can contribute significantly to the decline of a small-scale unit, highlighting the importance of a strong managerial foundation.

293. (D) an external factor.
A market recession is classified as an external factor because it is an environmental change that an individual small industry cannot control. Such economic downturns can lead to reduced demand and financial instability for many businesses at once. Since the management of a single unit has no power over these macro-economic trends, these are viewed as external challenges that require strategic adaptation to survive.

294. (B) Conducting a viability study to diagnose the cause of sickness.
The initial and most critical step in the revival process is to perform a thorough diagnosis of the root causes of industrial sickness. This involves conducting a viability study to determine if the business can still be successful if changes are made. Only after a unit is confirmed to be potentially viable can the management move forward with developing and implementing a rehabilitation package.

295. (C) a combination of financial restructuring and technology upgrades.
A comprehensive rehabilitation package for a struggling but viable industrial unit typically involves a combination of several corrective measures. These may include financial restructuring to manage debt and the infusion of new capital for operations. Additionally, the plan might involve updating outdated technology and making changes to the management team to address the internal deficiencies that originally led to the unit's sickness.

NODIA

296. (D) To provide and facilitate the flow of credit specifically to the small-scale sector.
Specialized financial institutions such as SIDBI are established with the specific mandate to support the growth of the small-scale sector. Their primary role is to provide and facilitate a steady flow of credit to these businesses, ensuring they have the funding needed for development. These institutions act as a dedicated source of financial support tailored to the unique needs of small entrepreneurs.

297. (A) Cooperative Banks.
Cooperative banks are particularly important for supporting entrepreneurs located in rural and semi-urban areas. These banks are designed to cater to the specific financial needs of local business owners who may not always have easy access to larger commercial institutions. By providing localized banking services, cooperative banks play a crucial role in fostering entrepreneurial talent and economic activity in less developed regions.

298. (B) offer financial services to those who lack access to formal banking.
Micro Finance is a specialized mechanism aimed at providing small-scale financial services to individuals who are often excluded from the traditional banking system. This includes offering microcredit, savings products, and insurance to low-income households and micro-entrepreneurs. By making these services available, microfinance empowers people to start small ventures and achieve greater financial stability despite having limited resources or collateral.

299. (B) Stringent collateral requirements and procedural delays.
Despite the presence of a supportive financial network, many small industries encounter significant hurdles when trying to secure institutional credit. Common obstacles include the demand for stringent collateral, which many small business owners cannot provide. Furthermore, complex procedural delays and bureaucratic requirements can slow down the funding process, making it difficult for enterprises to obtain the capital they need in a timely manner.

300. (A) provide both term loans and working capital finance.
Commercial banks are considered the most significant source of institutional credit for small businesses because of the comprehensive range of financial products they offer. They provide term loans, which are essential for investing in fixed assets like machinery, and working capital finance, which supports daily operations. This ability to meet both long-term and short-term capital needs makes them indispensable to the small-scale sector.

www.nodia.in

Downloaded from www.pdf.tube

VISIT:

www.pdf.tube

Download PDFs for:

- ✓ Recommended Textbook Resources
- ✓ Mock Tests with Solutions
- ✓ Chapterwise Question Bank
- ✓ Previous Year UGC-NET Exam Papers
- ✓ Previous Year Assistant Professor Exam Papers

NODIA

Nodia Editions LLP

125, Sector 6, Vidhyadhar Nagar, Jaipur 302039

MRP. ₹ 780